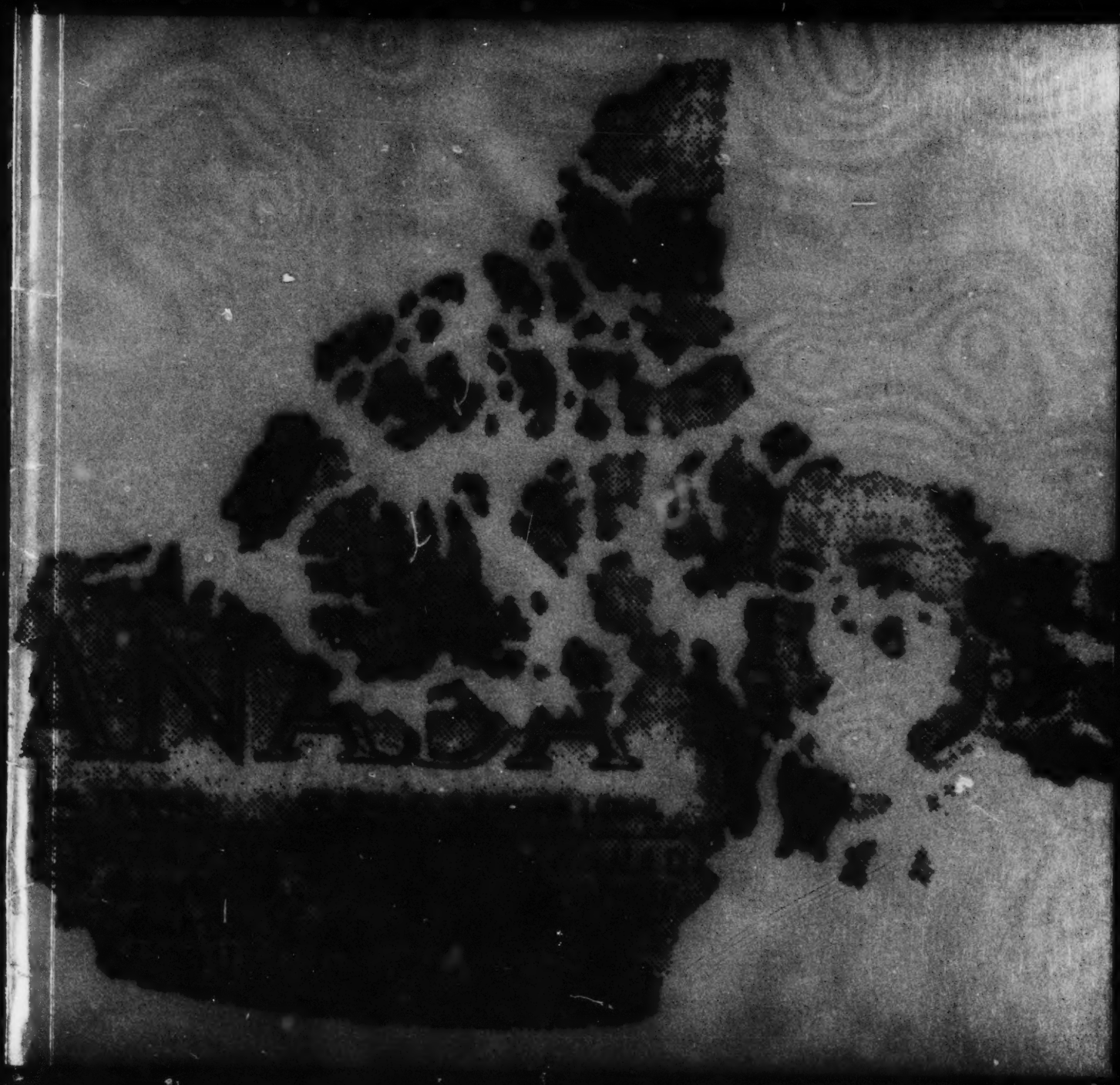
ECONOMIC DEVELOPMENT AND TOURISM PROGRAMS A REVIEW AND ASSESSMENT



Northwest Territories

Background Study prepared for the N.W.T. Legislative Assembly's Special Committee on the Northern Economy

Economic Development & Tourism Programs

A Review & Assessment

Prepared for the Legislative Assembly's
SPECIAL COMMITTEE ON THE NORTHERN ECONOMY

by

RT & Associates
Box 2406
Yellowknife, Northwest Territories, X1A 2P8
May 1989

90-01435/

This Background Study is one of several prepared for the Special Committee on the Northern Economy. It is being released in the hope that it will be widely circulated and discussed.

The findings of this report are the personal responsibility of the author and do not necessarily reflect the views of the Special Commmittee on the Northern Economy.

May, 1989

Table of Contents

Summary and Inuktitut Translation i

Background 1

Methodology 1

Departmental Mandate and Principles 2

ED&T Programs and Delivery 3

Dual Economy 5

Program Performance To Date 8

Private Sector Leadership 11

Straining Limits of Domestic Markets 13

Need For More Exports 14

Government Development Corporation 14

ED&T Can't Do It All Alone 18

Need for Education and Training 22

Paperburden is Legitimate 23

Privatization Could Go Further 23

Need for New Entrepreneurs 24

Market Disruption vs Local Employment 25

Staff Problems 25

Conclusion 27

Appendix I: Business Development Division Programs

Appendix II: Tourism & Parks Division Programs

Appendix III: Economic Development Agreement Programs

Summary

(Prepared by Project Staff)

Background

The Department of Economic Development and Tourism is the GNWT's lead agency for the development of the economy of the Northwest Territories. For this reason the Special Committee on the Northern Economy asked R.T.and Associates to conduct a review and assessment of the Department's programs. This study presents their findings.

Methodology

Research methods included a review of program literature, discussions with department officials, and an analysis of the very limited statistical data on program effectiveness.

Though the department has begun to develop an information system to measure program effectiveness--its Managing For Results System--the lack of information on program effectiveness is a serious problem.

> **We recommend that the Department of Economic Development and Tourism fully support and further enhance the capabilities of its Management for Results System so that the Department and the Government as a whole will be in a better position in the future to measure and monitor the effectiveness of departmental programs and services.**

Departmental Mandate

The purpose of the Department of Economic Development and Tourism is to help develop private and publicly sponsored businesses that will create jobs and income for northern residents. It also assists in the development of a healthy and viable tourism industry.

Program Delivery

The Department has three kinds of programs.

> **Lender Of Last Resort Programs** which issue loans at attractive rates to firms which cannot get debt financing from commercial sources at reasonable rates.
>
> **Investment Incentive Programs**--like EDA, Special ARDA, and the Native Economic Development Program (NEDP)--which provide subsidies to create or expand businesses.

Grants and Contributions: smaller non-repayable subsidies which are used to reduce a firm's debt, assist in "one-shot" activities (such as attending trade shows), or to support business-related activities which are considered worthwhile but are not eligible under other programs.

In general, the purpose of these programs is to help entrepreneurs start new businesses or expand existing ones. An Economic Development Officer (or a Business Development Officer) helps the client develop a proposal. Depending upon the size of the proposal, it is reviewed at the regional and headquarters level, and usually by one or other of the loan boards or committees established for this purpose.

Economic Environment: The Dual Economy

In the NWT there are two economies, the modern economy and the traditional economy.

The modern economy exists in the larger centres where most of the non-native population lives. It is dominated by jobs in the non-renewable resource or government sectors, and is quite successful. Average incomes and education levels are high, unemployment is low, and growth prospects are relatively bright. Between 1976 and 1986 the growth of this economy outstripped the growth of the Canadian economy as a whole.

The traditional economy exists in the small rural communities where most residents are native people. It is still dominated by the traditional pursuits of hunting and trapping. Education levels are low, markets are very small, and the cost of living is high.

The contrast between the two economies reflects a dichotomy--between the " haves" and the "have nots". On the one hand the seven wealthiest communities account for almost 75% of Territorial income. On the other hand, the unemployment rate in many small communities often reaches 50%.

Program Performance To Date

Economic Development and Tourism programs have been quite successful in helping businesses in the private sector. They have been especially effective in helping establish the tourist industry. But the impact of the programs has been uneven. Their success has been limited mostly to those larger communities which already had, or had potential for a viable private sector.

Private Sector Leadership

The programs have depended heavily upon private sector leadership. They are not make-work projects. They require a minimum market size, sound management, some equity on the part of the entrepreneur, and the enterprise must be viable, at least eventually. Often some, if not all of these criteria can not be met in smaller communities.

Straining Limits of Domestic Markets

Most NWT communities are so small that they have reached, or are quickly reaching, the number of viable enterprises they can support.

Larger communities have another problem. Programs such as EDA must not create market disruption by fostering unfair competition. Even the larger communities are running out of viable commercial opportunities that do not conflict with existing enterprises.

All communities, then, have all, or nearly all the non-export businesses they can support.

Need For More Exports

There is a great need for export businesses. Someone has to develop them. The private sector is unlikely to take the lead--outside of major non-renewable resource projects. Government must take the lead--even for projects that are more akin to "make-work" projects than businesses.

Government Development Corporation

Economic Development and Tourism has been discussing setting up a crown corporation to operate various kinds of enterprises like the ones which previously were run by the department (and then privatised). This makes sense. Even if the enterprises have to be subsidized for a long period of time, it is better to have people working than living on welfare.

> **We recommend that the Government of the Northwest Territories create and subsidize the operation of, carefully selected enterprises which employ significant numbers of people in the production of goods for export or import replacement.**

We recommend that the Government of the Northwest Territories create and subsidize the operation of certain domestic service businesses which would normally be present in modern small communities but which would not be viable in most NWT communities until they reach a greater population size.

We also recommend that Economic Development and Tourism pursue the institution of a crown corporation to manage the above enterprises, and that the corporation be accorded at least a ten year mandate with sufficient resources to fulfill that mandate without political interference in its day-to-day operations.

Because government may have to subsidize some of these programs for long periods of time--if not perpetually--government should know how much it is willing to pay to subsidize employment.

We recommend that the Government of the Northwest Territories establish guidelines with respect to acceptable per-job costs for subsidized employment.

ED&T Can't Do It All Alone

There is a great need for better coordination among government departments.

There should be a much greater emphasis on "buying North".

Territorial fiscal policy should dovetail with economic policies. The GNWT should have an Executive Level committee charged with coordinating all departments' economic activities.

Also, the Legislative Assembly's "Opposition" should receive a research budget and develop a research capability. This would help them participate more fully in economic development decisions.

We recommend that the Government of the Northwest Territories strengthen its "buy-north" policies and that it institute some mechanism to enforce coordination and cooperation among all departments on all matters related to economic development.

Need For Education and Training

Developing more sophisticated export and import replacement firms will require more expertise than is available in most communities today. There is a special need for a consistent program to train business managers.

Paperburden is Legitimate

Though there are a number of complaints about paperwork, the discipline of preparing a business plan is beneficial.

Privatization Could Go Further

> **We recommend that the Government of the Northwest Territories take a more proactive and concerted approach to privatization than it has in the past.**

Need For New Entrepreneurs

At present all ED&T programs require residency in the NWT. This limits our ability to attract entrepreneurs and investors who could generate wealth and create jobs.

> **We recommend that the Department of Economic Development and Tourism revise its programs' NWT residency requirements with a view to attracting new entrepreneurs and expertise to the Northwest Territories.**

Market Disruption vs Local Employment

Existing criteria should be more flexible in regard to market disruption.

Also, since employment is often located in areas away from where people live, there should be come kind of relocation assistance.

> **We recommend that the Department of Economic Development and Tourism develop programs to encourage employee rotation from places of high unemployment to places where jobs are abundant.**

We also recommend that the Department of Economic Development and Tourism revise its market disruption criteria to allow for subsidization of businesses which hire northerners under certain circumstances.

Staff Problems

Many Economic Development Officers and Business Development Officers lack the skills or the time to help clients develop proposals. There is a high staff turnover which accounts for part of this problem. But there is a need for more training.

We recommend that the Department of Economic Development and Tourism institute periodic but regular, in-house, hands-on staff training in both the business and community development aspects of their jobs.

ᓇᐃᓕᓕᒋᔭᐅᓂᖅ

(ᐱᓕᕆᐊᖃᖅᑐᓄᑦ ᐊᖏᖅᑭᓯᒡᒎᔪᐃᓐᓇᖅᑐᓂᖅ)

ᖃᓄᐃᓕᓚᖅᑐᑐᖃᖅᖢᓂ

ᐱᓕᕆᓂᐊᕐᓯᓚᐅᕐᓯᒪᔪᓄᑦ ᐅᓪᓗᕈᓘᑉᓯᓚᐅᕐᓯᒪᔪᓄᑦ ᓄᓇᕗᑦᑐᐊᕐᑏ ᓴᓇᓕᒫᖅᑐᑦ ᓯᓚᑦᑎᐊᕐᓂᖅ ᐱᓕᕆᓂᐊᕐᓂᖅᑐᑦ ᐱᓕᕆᓂᐊᕐᓂᖅᑐᑦ ᐊᐱᕆᔭᐅᓂᖅᑐᑦ ᐊᐱᕆᔭᐅᓂᖅᑐᑦ ᐊᐱᕆᔭᐅ

ᐃᑲᔪᓯᐊᐅᓕᕐᑐᑦ ᐃᓯᒪᓴᓂᑕᐅᔪᓐᓇᖅᑐᑦ ᐃᓯᒪᓴᓂᑕᐅᔪᓐᓇᖅᑐᑦᓗ: ᐊᖏᔪᒥᑲᑦᓭᓕᑦ ᐊᑭᓚᑦᑕᐅᖅᑲᓐᓂᐊᖅᑲᖏᑦᑐᑦ ᐃᑲᔪᑎᑦ ᐃᑲᔪᑦᑕᐅᓯᒃ ᔨᐊᑐᓂᑦ ᐃᑲᔪᑦᑕᐅᓯᒃ ᑭᒃᑯᓕᖅᑐᑦ ᒥᐅᓯᒪᓴᓐᓂᒃ ᑕᑯᓴᓂᖅ, ᐃᑲᔪᑎᒥᒃᑲᐅᓕᕐᓂᑦ "ᐊᑕᐅᓯᓴᓂᖅ" ᐱᓚᕆᐊᓄᑦ (ᓯᖅᓗ ᐃᓕᐅᑎᑦᑎᓂᓪᓗᒍ ᓴᓇᒃᖏᓂᓂ ᑕᔨᖅᐅᑎᑦᑎᔨᓂ), ᐅᓪᓚᓯᓐᓂᑦ ᐃᑲᔪᕆᐊᑕᐅᑕᓴᓂᖅ ᓇᓗᓂᖅ ᐱᓚᕆᐊᓄᑦ ᐃᑲᔪᑎᖅᑎᐊᕆᐊᑦᑎᖅᓂᖅ ᐃᓯᒪᒋᔭᐅᔪᓄᑦ ᐊᑭᓯᔪᓐᓇ ᐃᑲᔪᑦᑕᐅᔪᓐᓇᖅᑐᓂᒃ ᐃᑲᔪᑎᑕᐅᓂᖅᑐᓂᒃ ᐱᓚᕆᐊᓕᕐᓂᑦ.

ᑕᒪᓐᓇᐊ ᐱᓚᕆᐊᓕᕐᓂᑦ ᓴᖅᑭᑦᓴᒪᑕ ᐃᑲᔪᑦᑕᐅᕐᖏᓐᓂᑦᑐᓂᒃ ᓇᓗᓂᖅ ᐱᓚᕆᐊᑦᑕᑦᑐᓂᕆᐊᖅᑐᑦ ᓄᑕᓂᒃ ᓴᖅᑭᑎᑦᓴᓐᓂᐊᖅᑲᖏᑦᑐᓂᒃ ᑭᓯᐊᓂᖅᑐᑦ ᐃᓕᓴᐅᑕᐅᑕᐅᖅᑲᖏᑦᑐᓂᒃ ᒪᓐᓇᖅ ᓴᖅᑭᑦᓴᒪᓕᕐᓂᑦ (ᑭᓯᐊᓂᖅᑐᑦ ᓇᓗᓂᖅ ᐱᓚᕆᐊᑦᑕᑦᑐᓂᕆᐊᖅᓯᓴᖅ) ᐃᑲᔪᖏᑕᓴᖅ ᑐᓴᓯᑎᑎᒥᒃ ᑎᑎᕋᕐᓯᑐᓂᓄᑦ. ᒪᓕᒐᓗᒍ ᑐᓴᓯᑎᑕᐅᑕᐅᔪᓄᑦ, ᐊᐃᑐᓴᒪᓕᒃᑐᑦ ᓄᑕᓂᒃ ᖃᐅᔨᓴᖅᑎᑕᐅᑕᐅᖅᑲᖏᑦᑐᓂᒃ, ᐊᓪᓚᖅ ᖃᐅᔨᓴᐃᖏᑕᐅᑕᐅᖅᑲᖏᑦᑐᓂᒃ ᐊᑐᓴᒪᓕᒃᑐᑦ ᐃᓕᓴᐅᑕᐅᑕᐅᖅᑲᖏᑦᑐᓂᒃ

ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖃᖅᓯᒪᔭᒃ ᐃᒃᑎᕐᕕᒃ ᓱᖃᓕᓂᐅᓂᒃᑎᓂᒃ

ᐱᓕᕆᐊᒃᑯᒃ ᒪᑭᒪᔨᐊᑎᖅᑲᒪᓕᓱᐊᖅᑐᒃ ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖃᖅᑎᑐᓂᖅ ᓱᖃᓕᓂᐅᖅᑕᓗᓂᖅ. ᑕᒪᓐᓇᐊᒃᑯᑎᓕᒃ ᓴᓇᔨᖏᑦᑎᓂᕐᓂᔨᕐᑕᐅᓕᓱᓂᖅ ᐱᓕᕆᐊᒃ. ᐱᓕᕆᐊᖅᓴᖏᖅᑎᒃ ᐱᓕᕆᐊᖃᖅᓴᖏᖅᑎᒃ ᓴᖅᑭᑲᕆᐊᖃᖅᑎᑦ, ᐊᐅᓚᑦᑎᔨᓂᑎᐊᕆᒪᔨᐊᖃᖅᑎᑦ, ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖃᖅᑎᑦ ᐃᑲᔪᑎᒃ ᓴᖅᑭᑦᑎᓯᒪᖃᑕᐅᒪᔨᐊᖃᖅᑎᑦ ᐃᓚᖓᓂᒃ, ᐊᓪᓚ ᐱᓕᕆᐊᓕᒫᖓ ᐃᑲᔪᑎᖃᖅᑎᑦᑎᐊᕆᒪᔨᐊᖃᖅᑎᑦ, ᐃᑲᔪᑎᖃᓚᐅᖏᓪᓗ ᓴᖅᑭᓯᓚᐅᖅ-ᐅᒪᔨᐊᖃᖅᑎᑦ. ᑕᒪᐃᓐᓇᖅᑐᖃᖅ, ᑕᒪᐃᓐᓇᐅᖏᓐᓂᒋᑦ ᒥᓐᓂᖓᓂ ᓄᓇᓕᓐᓂ ᐊᑐᐃᓐᓇᐅᓕ-ᕆᐊᖃᓕᒃ ᐃᑲᔪᖃᓐᓇᐅᓕᖅᑐᒃ.

ᑭᓯᖃᖅᑎᑕᐅᓂᖅ ᐱᓕᕆᓐᓄᐅᖃᖅᑎᑦᑎᔨᖅᑐᑦ ᓄᓇᒪᓕᐅᔪᓂ

ᑕᒪᐃᓐᓇᖅᓯᒪᓕᖅ ᓄᓇᓕᒃ ᒥᑭᓗᑦᒪᑕ, ᐊᓪᓚ ᑎᑭᓵᕆᓕᕆᐊᖃᓕᔨᓗᑎᒃ, ᐱᓕᕆᐊᖅᓯᓇᓱᖅᑎᑐᓂᒃ ᐊᐅᓚᑦᑎᔨᓂᑎᐊᕆᒪᔨᐊᖃᖅᑎᑦ.

ᐊᓂᓂᖅᓴᐃᒃ ᓄᓇᕗᒃ ᐊᓕᕐᓂᖅᑕᖏᓐᓂᒃ ᓇᓚᒋᖅᓂᖅᓯᐅᒃᑎᑦ. ᑕᒪᐃᓐᓇᐊ ᐱᓕᕆᐊᖅᓴᖅᑐᑦᑎᓐᓂᒃ ᐱᓕᕆᐊᒥᒃ ᐃᖅᑲᓇᐃᓐᓇᖅᑐᒃ ᐱᓕᕆᐊᖃᓕᒫᒃ ᐱᓕᕆᐊᖃᓕᓴᐅᓂᒃ.

ᑕᒪᐃᓐᓇᖅᓯᒪᓕᖅ ᓄᓇᕗᒃ, ᑕᐃᒪᓕᒃ, ᑕᒪᐃᓐᓇᖅᑐᒃ, ᑕᒪᐃᓐᓇᖅᓯᖅᑲᖅᑎᑦ ᐊᓂᔪᓐᓇᖅ ᓄᓇᕗᓂᒃ ᐅᓂᒃᑳᖅᓯᓚᐅᖅ-ᓯᖅᑕᕐᕕᒃᓴᐅᓂᒃ ᐱᓕᕆᐊᖃᖅᑎᑦᑎᔨᖅᑐᑦ.

ᐊᓂᔪᓐᓇᖅ ᓄᓇᕗᓂᒃ ᐊᑐᓕᓴᐃᓂᖅᓯᒪᔨᖃᖅᑎᑦᑎᓂᒃ

ᑕᒪᓐᓇ ᐊᑐᐃᓂᕐᑕᐅᓂᖅᑎᑦᑎᓕᓐᓂᑦᓂᖅ ᓄᓇᕗᑦᑕ ᓂᓕᕆᓐᓄᐊᖅᑎᓂᖅᓂᖅ. ᐱᓗᐊᓕᓕᓚᐅᖅᑎᖃᖅᑎᑦᑎᓕᒪᑕ ᑭᓇᐃᐊᓐᓇᓕᒫᑦ. ᓇᒃᑐᓂᖅ ᐃᓕᓴᐃᓕᓐᓂᒃ ᐱᓕᕆᐊᖃᓕᒃ ᓱᖃᓕᓂᐅᓕᖅᑐᓂᖅᓂᖅ-- ᓂᓕᕆᓂ ᐊᓂᔪᓐᓇᖅ ᐱᓗᐊᓕᓕᓚᐅᖅᑎᖃᖅᑎᑦᑎᓕᒪᑕ ᐱᓕᕆᐊᖃᓕᒫᓂ. ᑲᓇᑕᒥᑦ ᓱᖃᓕᓂᐅᓕᖅᑐᖃᖅᑎᑦᑎᓐᓂᑦ--ᑕᒪᐃᓐᓇᐅᓚᑦᑎᔨᓂᑎᐊᕆᒪᔨᐊᖃᖅᑎᑦ ᓄᓇᕗᑦ "ᓴᖅᑭᑎᓯᒪᓕᖅᑐᖃᖅᑎᓂᒃᓴᓂᒃ ᓴᓇᔨᓂᒃ" ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖅᓯᒪᔨᐊᖃᓕᓴᐅᓂᖅᓂᖅ.

ᑲᑎᒪᔨᑦ ᐱᓗᐊᓕᓕᓚᐅᖅᑎᑦᑎᓂᐅᔪᓂᖅᓂᒃ ᑯᐊᐳᓴᓂᒃ

ᐱᓕᕆᐊᖃᓕᓚᐅᖅᑎᓕᓚᐅᖅᑎᑦ ᐅᓪᓗᖓᑎᓕᓚᐅᖅᑎᑦ ᐅᖃᐅᔨᖃᖃᖅᑕᕐᓂᖅ ᐊᖏᖅᑭᔨᓪᓚᕆᐊᖃᕐᓂᖅ ᑯᐊᐳᓴᓂᒃᑯᒃ ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖅᓯᒪᔨᐊᖃᖅᑎᑦ ᑕᒪᐃᓐᓇᐅᓂᒃ (ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖅᓯᒪᓕᐅᑯᓂᒃ). ᑕᒪᓐᓇ ᑐᑭᖃᖅᑎᐊᖅᑕᒥᑦ. ᑕᒪᐃᓐᓇᐊ ᐱᓕᕆᐊᖅᓯᒪᔨᐊᒃ ᐊᑭᓐᓄᔨᓪᓚᕆᐊᖃᓕᓚᐅᖅᑎᑦᑎᓕᒪᑕ ᐊᑯᓐᓄᐊᖅᑎᒃ, ᑭᑐᐃᑐᓕᕆᐊᖃᖅᑎᑦᑎᓐᓂᒃ ᐃᑲᔪᖃᓚᐅᖅᑎᑦᑎᓐᓂᒃᑯᑦ ᐊᑐᐃᓐᓇᐅᓕᖅᑐᒃ.

> ᐊᑐᓂᔨᐅᖅᑕᒧᑦ ᓄᓇᕗᐊᓂ ᑲᑎᒪᔨᐊᖃᓕᓴᐅᓂᖅ ᓴᖅᑭᑎᓂᖅᑎᖃᖅᑎᑦᑎᓕᒪᑕᒧᑦ ᐃᑲᔪᖃᖅᑎᑦᑎᓕᒪᑕᒧᑦ ᓇᒃᑐᓂᖅ ᐱᓕᕆᐊᖃᖅᑎᑦ ᓴᖅᑭᑎᓂᖅᑎᖃᖅᑎᑦᑎᓕᒪᑕᒧᑦ ᑭᑐᐃᓐᓇᐅᓕᖅᑐᒃ ᑭᑐᐃᓐᓇᐅᓕᖅᑐᒃ ᐊᑐᐃᓐᓇᐅᓕᖅᑐᒃ ᐱᓕᕆᐊᖃᓕᒫᒃ ᐱᓕᕆᐊᖃᓕᓴᐅᓂᒃ.

ᐊᑐᓕᕐᓂᐅᔪᓄᑦ ᓄᓇᕗᑦ ᑲᔪᒪᓂᖅᐸᑦ ᓴᖅᑭᑎᕐᓯᓚᐅᑦ ᐊᑭᓚᐱᓕᒫᑎᓕᕐᓂᐅᓚᐅᑦ
ᐊᑭᓪᓚᑕᑯᓂᐊᑐᓂᒃ ᓇᓗᓂᖅ ᐱᓕᕐᓂᐅᕐᓯᓂᒃ ᐊᑭᓚᐱᓕᒫᑎᓕᕐᓂᐅᓚᐅᑦᓯ
ᑲᑎᑐᑦ ᓄᓇᕗᑦᐊᑎ ᑭᓱᐊᓂ ᓄᓇᕐᓂᒃ ᓄᓇᕗᑦ ᓄᓇᖅᓂ ᐊᑐᑦᓂᖅᓴᓕᐊᑲᖅᑎᑐᑦ
ᐱᓕᖅᓴᓂᓪᓚᑕᑦᓂᓐᓚᓕᑦ ᓄᓇᓕᐢ ᒥᑭᓂᖅᓴᑦ.

ᐊᑐᓕᕐᓂᐅᔪᓚᑕᑎᓕᑦ ᐱᔭᕐᓚᐊᓕᓚᐅᓕᑦ ᐅᓕᕐᑐᑎᓚᐅᓕᑦ ᑲᔪᒪᓂᖅᐸᑦ ᔨᐊᐅᐱᓓᒃ
ᐊᑭᓚᑦᓂᖅᑕᕐᕋᑐᑎᓂᒃ ᕿᓚᓂ ᔨᐊᐅᐱᓓᒃᑯᓂᒃ, ᐊᓱᒪ ᔨᐊᐅᐱᓓᒃᑯᑦ ᐱᓕᓚᐊᖅᓂᑕ-
ᑭᐅᓂᒃ ᑭᑭᐅᓂᒃ ᕿᓂᓂᒃ ᐱᓕᓚᐅᖅᓱᐃᑦ ᐊᒥᓱᓕᑦᑐᓂᒃ ᑲᔪᒪᓂᖅᓄᓪᓕᐊ ᐃᒪᖅᓴᑎᑐᑦ-
ᑕᑭᓕᖅᓴᐅᑦᑎᑦᑐᓂᒃ ᖃᐅᑕᑭᒪᑦ ᐱᓕᓚᐊᓚᑦᓕᖅᓂᖅᓄᑦ.

ᑲᔪᒪᓂᖅᓄᑦ ᐃᓕᖅᓄᖅ ᐱᓕᓚᐊᓄᖅ ᐊᑭᓱᓕᓚᑎᓕᑎᓐᓄᐃᖅᓴᓂᐊᖅᖃᐊᖅᓯᒪᑕ ᐊᑯᓂᐅᓂᖅᐳᑦ ᐊᑭᓱᓕᓚᑎ-
ᒪᑎᓕᑎᓐᓄᒃ--ᑲᔪᓯᐅᒪᐃᖅᓴᓂᐊᖅᑎᑦᑎᓐᓂᒃ ᑲᔪᒪᓂᖅᓄᑦ ᖃᐅᐅᔨᒪᓕᐊᖅᖃᐊᖅᓯᒪᑦ ᐊᑭᓱᓕᓚᑎ-
ᓯᓚᒪᑎᓕᑎᓂᐅᐊᖅᓯᒪᓐᓚᑦ.

ᐊᑐᓕᕐᓂᐅᔪᓚᑕᑎᓕᑦ ᓄᓇᕗᑦ ᑲᔪᒪᓂᖅᓄᑦ ᐋᖅᑭᒃᐸᓚᕐᓯᓂᒃ ᒪᓕᓐᓂᕐᓴᓂᒃ ᐊᑭᑦᓴᐅᖅᖃᖅᑐᑦᓯᑐᓂᒃ
ᓴᓇᔨᓴᐅᑦᔪᓄᑦ ᐊᑭᓱᓕᓚᑎᓕᐅᑦᓯᑐᓂᒃ ᓴᓇᔨᓴᐅᑎᑎᑦᑎᓐᓄᑦ.

ᐱᓕᕐᓚᐊᑦᑎᓕᕐᓂᐅᔪᓄᑦ ᑭᓱᑦᑎᓕᑦ ᑲᔪᒪᓂᖅᓄᑦ ᐱᓕᕐᓚᐊᑦᑎᓕᕐᓂᐅᔪᓄᑦ

ᐱᓕᓚᖅᑎᑦᓂᐊᑐᓂᖅᓴᐅᑦᑐᖅᖃᖅᑐᑦ ᓄᓇᕗᑦ ᑲᔪᒪᓂᖅᓄᑦᑕ ᐱᓕᓚᒃᓴᓂᑦ.

ᐃᒃᓱᑐᑦᑕᑎᓂᖅᓴᐅᑦᑐᖅᖃᖅᑐᑦ "ᓂᐅᐃᖅᖃᑦᓂᖅ ᑭᑭᐅᑦᑎᑦᑐᑦ".

ᓄᓇᕗᑦᐊᑎ ᐱᓇᐅᔭᓂᒃ ᐊᑐᐊᒪᐃᑦ ᓴᓇᐱᔨᓂᑎᑎᑦᑎᓐᓄᖅᓴᐅᑦ ᐱᓇᐅᔭᓕᐅᑕᑎᓂᓴᓂᒃ. ᓄᓇᕗᑦ
ᑲᔪᒪᓂᖅᓄᑦ ᐊᑭᓕᓚᐅᓴᖓᐊᖅᖃᖅᑐᑦ ᑲᑎᒪᔨᕋᓕᒃ ᐱᓕᓚᐊᖅᖃᖅᑐᑦᑕᑭᓚᐅᓂᒃ ᑕᒪᐃᓐᓂᒃ ᐱᓕᓚᑦᓂᐊᑐᓂᒃ
ᐱᓇᐅᔭᓴᓇᓂᕐᑎᑦᑎᓐᓄᓇᓕᐅᑦᓂᒃᑯᓂᒃ ᐱᓕᓚᐊᖅᓂᒃ ᐱᓇᐅᔭᓴᓇᓂᕐᑎᑦᑎᓐᓄᓇᓕᐅᑦᓂᒃ.

ᐊᓱᒪᓗᑦᑕᐅᓂᖅ, ᒪᓕᓚᐅᑦᓂᓕᒃ "ᑲᑎᒪᔨᔪᐃᓐᓇᖅᑐᑦ ᑲᑎᒪᔨᕋᓕᖅᑐᑦ" ᖃᐅᔨᓴᐃᓚᐅᓂᓴᓂᒃ ᐱᓇᐅᔭᓕ-
ᒋᑦᑎᑕᐅᓕᖅᖃᖅᑐᑦ ᖃᐅᔨᓴᐃᓚᐅᓂᓴᓕᒃ ᐋᖅᑭᒃᐸᓚᕐᓯᓂᒃ. ᑕᒪᓐᓇ ᐃᑲᔪᑎᖃᕐᓂᖓᓕᑦ ᐃᓕᓴᐅᑎᓂᓚᐅᓕᑦ
ᐱᓕᕐᓚᐊᑦᑎᓕᕐᓂᐅᓚᐅᑦ ᐱᓕᓚᐊᖅᓯᒪᓕᐅᑦ.

ᐊᑐᓕᕐᓂᐅᔪᓄᑦ ᓄᓇᕗᑦ ᑲᔪᒪᓂᖅᓄᑦ ᓴᓐᓄᓕᑎᓕᐅᑦᓯᑎᓂᖅᓴᓂᐊᖅᖃᖅᑐᑦ "ᐅᑭᐅᑦᑎᑦᑐᑦ ᓂᐅ-
ᓚᖃᑦᑎᓂᓕᒫᑦ" ᐊᑐᐊᒪᓄᓐᓂᒃ ᐊᓱᒪ ᐊᑐᓕᑎᓂᑎᓚᓂᒃ ᐊᐅᓪᓚᑦᓂᐊᑐᐅᓂᒃᑯᓂᒃ ᑕᒪᐃᓐᓂᒃ ᐱᓕᓚᐊᖅᓂᒃ
ᐱᓇᐅᔭᓂᒃ ᐱᓕᕐᓚᐊᑦᑎᓕᕐᓂᐅᓚᐅᑦᓯ ᑐᑦᓴᓐᓇᓕᓐᓂᑦ ᐱᓕᑎᓂᑎᓚᕐᓯᓚᐅᑦᓯ.

ᐃᓕᓐᓂᐊᕐᓗᒃᑐᑦ ᐃᓕᓐᓂᐊᕐᓂᖅᓯᓐᓄᑦ ᐊᑐᕐᑕᐅᓯᒪᔪᑦ

ᐱᓱᕐᓂᑎᒋᓕᕆᓂᐊᕐᓗᓂ ᓄᓇᕗᑦᑕᓂ ᓴᓕᑦᑐᓂ ᐋᑎᓕᕐᓂᕐᓂᐊᓂᖅᓂᖅᓂ ᑎᑭᑎᓂᕐᓂᐊᓂᖅᓂᖅᓂ ᐊᖏᖅᑭᒪᓕᕐᓂᐊᕐᓂᖅᓂᖅᓄᑦ ᖃᐅᔨᓴᓂᖅᓂᖅᓄᑦ ᐊᑐᕐᓗᐊᖅᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᖃᐅᔨᒪᔪᓂᖅ ᓄᓇᕗᓂᒃ ᐅᓪᓗᒥᒃ ᐊᑐᕐᓗᐊᖅᑐᖅ. ᐱᓕᕆᐊᓂᖅ ᐋᐅᓕᑎᓂᐊᓕᐅᓂᐊᕐᓂᖅᓄᑦ ᐃᓕᓐᓂᐊᕐᓂᑎᓂᐊᓂᕐᓂᐊᕐᑕᐅᓂᐊᖅᓄᑦ ᓇᓗᓂᓄᑦ ᐱᓇᓱᐊᖅᓯᒪᓂᖅ ᐊᖏᖅᑭᒃᓴᓂᖅ ᐃᓕᓐᓂᐊᕐᓂᑎᒃᓴᓂᖅ.

ᑎᑎᖅᐅᓵᑦ ᐊᓚᐋᓕᕆᔨᐅᓂᐊᕐᓂᖅ ᐃᑲᔪᑎᖅᖅᑕᓂᕐᓂᑦ

ᐋᒥᓱᒪᓕᐅᕐᓗᓂᖅ ᑭᑐᑐᐃᓐᓇᕐᓂᖅ ᐅᖅᖅᑕᓂᕆᓕᐊᓂᓕᕐᓗᓂᑦ ᑎᑎᖅᐅᓵᑦ ᐃᓱᒪᓗᑎᑦᑎᓂᕐᓗᓂᖅᓄᑦ, ᓇᓗᓂᓄᑦ ᐃᓕᓴᕐᓂᔪᓐᓇᓂᐊᓂᕐᓂᐊᓗᒍ ᐱᓕᕆᐊᓂᖅᓴᓂ <ᐸᓇᒍᑕᐅᓂᖓᓐᓄ ᐃᑲᔪᑎᖅᖅᑎᓂᐊᖅᖅᑕᓂᕐᓂᑦ>.

ᓇᓗᓂᓄᑦ ᐱᓕᕆᐊᖅᖅᓂᓄᑦ ᑲᔪᓯᖅᓴᓂᕐᓗᐊᑦᓇᓂᑦ> ᐅᖅᓯᒃᓴᓂ

ᐊᑐᓂᕿᓕᕐᒍᓗᑦ ᓄᓇᕗᑦᑎᐊᑦ ᒪᓕᒪᓐᓇᕐᑐᑦ ᐃᓐᓴᐱᖅᖅᓯᓂᖅᑎᑦᑎᓂᐊᖅᖅᓂᖅᓄᑦ ᐊᑐᖅᓴᑎᑎᔪᑕᐅᓂᐊᕐᓂᖅ ᓇᓗᓂᓄᑦ ᐱᓕᕆᐊᖅᖅᓂᖅᓄᑦ ᐃᑦᓇᓂᕐᓂᐊᕐᑕᐅᓂᖅᓴᓂᐊᕐᑐᑦ ᓂᕆᔨᓂᑦ ᐃᓕᓴᕐᓂᔪᓐᓇᓂᐊᓂᕐᓂᐊᓗᒍᑦ.

ᓄᓇᕗᑦ ᐱᓕᕆᐊᖅᖅᓂᓄᑦ ᓴᓇᓂᕐᑕᓂᕐᓂᐊᕐᓂᖅᓄᑦ

ᑕᒪᐃᓐᓄᑦ ᐱᓯᓂᕐᓂᐊᕐᓂᕆᔨᒋᓐᓂᕐᑐᓂᑦ ᐱᓕᕆᐊᖅᓯᑦ ᓄᓇᕗᑦᑎᐊᕐᑕᐅᑕᐅᓂᖅᓄᑦ ᑭᓱᓂᕐᓂᐊᕐᑕᐅᓂᖅᓄᑦ. ᑕᒪᓐᓇ ᑭᓕᓂᖅᑎᑦᑎᓂᖅᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᑭᓇᐅᔨᓴᓂᐊᕐᓂᖅᓄᑦ ᑭᓯᐊᓂᕐᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᐊᓯᖏᓐᓄᑦ ᐊᑐᖅᓴᓂᐊᕐᓂᖅᓄᑦ ᐊᑐᕐᓗᐊᖅᑐᖅ.

ᐅᖅᖅᑕᓂᕆᓕᐊᓂᓕᕐᓗᓂᖅ ᐊᑐᕐᓗᐊᖅᑐᖅ ᐊᓯᖏᓐᓄᑦ ᓄᓇᕗᑦᑎᐊᕐᑕᐅᑕᐅᓂᖅᓄᑦ ᑭᓱᓂᕐᓂᐊᕐᑕᐅᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᑭᓯᐊᓂᕐᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᐊᑐᕐᓗᐊᖅᑐᖅ.

ᓄᓇᕗᑦ ᐱᓕᕆᐊᖅᖅᓂᓄᑦ ᐃᑲᔪᓐᓇᕐᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᓄᓇᕗᑦᑎᐊᕐᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᐃᓐᓴᐱᖅᖅᓯᓂᖅᑎᑦᑎᓂᖅᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᐊᑐᕐᓗᐊᖅᑐᖅ.

ᓄᓇᕗᑦ ᐱᓕᕆᐊᖅᖅᓂᓄᑦ ᐃᑲᔪᓐᓇᕐᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᓄᓇᕗᑦᑎᐊᕐᑕᐅᓂᐊᕐᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᐊᑐᕐᓗᐊᖅᑐᖅ.

ᐅᖅᖅᑕᓂᕆᓕᐊᓂᓕᕐᓗᓂᖅ ᐊᑐᕐᓗᐊᖅᑐᖅ ᐊᓯᖏᓐᓄᑦ ᓄᓇᕗᑦᑎᐊᕐᑕᐅᑕᐅᓂᖅᓄᑦ ᑭᓱᓂᕐᓂᐊᕐᑕᐅᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᓄᓇᕗᑦ ᐃᓕᓴᕐᓂᕿᓂᕐᓗᒍᓕᕐᓗᓂᖅᓄᑦ ᐊᑐᕐᓗᐊᖅᑐᖅ.

ᐊᑐᓕᖅᑭᑎᒍᑦ ᐱᓴᓕᓕᐊᔪᓕᕆᔨᒃᑯᑦ ᐅᓕᕐᓂᑐᓕᕆᔨᒃᑯᓕᒃᓗ ᐊᖏᑭᒋᐊᕐᓯᕐᓴᓕᑦ ᓇᔨᓂᖅ ᐱᓕᕆᐊᕐᓯᓐᓂ ᐃᓕᓴᕆᔨᑕᑎᑦᑎᓂᐅᔪᓂᖅ ᐊᑭᓚᐅᔪᓕᒪᑎᑦᑎᐊᔪᑕᐅᖏᓐᓂᑦᑕᕐᓴᓕᑦ ᓇᔨᓂᖅ ᐱᓇᓕᐊᑭᑎᒋᐅᔨᓄᑦ ᐃᑲᔪᑎᖏᓐᓂᕐᕕᔪᓐᓂᑦ ᐱᓇᓐᓂᖏᑦᑕᕐᕕᔪᓐᓂᑦᓗ ᐃᖏᓇᐃᔨᑦ-ᑎᑦᑎᓗᑎᒃ ᐅᑭᐅᑦᑐᑎᒋᐊᓂᖅ ᒪᓕᒃᓗᑎᒃ ᐃᓕᖏᓕᓕᐊᔪᐃᖅᑲᐅᔨᓄᖅ ᒪᓕᒃᑕᕐᕕᓕᐅᓂᖅ.

ᐃᖏᓇᐃᔨᑦᑎᓄᑦ ᓇᓱᒪᖅᓂᐅᔪᓕᑦ

ᐊᒥᓕᓱᒪᓕᐅᔨᓗᑎᒃ ᐱᓕᕆᓕᓕᐊᔪᓕᕆᓂᕐᒧᑦ ᐱᑭᑎᑦᑎᓇᓕᐊᑦᑎᑦ ᐊᓱᒪ ᓇᔨᒥᓂᖏᓐᓂ ᐱᓕᕆᐊᖓᔪᖅᑕᐅᓂᖅᓄᑦ ᐱᑭᑎᑦᑎᓇᓕᐊᑦᑎᑦ ᐃᓕᓴᕆᔨᒃᑯᓂᖅᑕᐅᓂᖅᓄ

Background

The following review of Economic Development & Tourism (ED&T) programs is one of a series of "special studies" commissioned by the NWT Legislative Assembly's Special Committee on the Northern Economy. The Committee selected ED&T for special attention because the department is considered the lead agency for government intervention in the economy of the NWT. Whether or not ED&T should be the lead agency is a moot point, as we shall see, but its particular programs and services undoubtedly play a major role in the northern economy.

The objective of the study was not to pass judgment on the strengths and weaknesses of each and every ED&T program; the objective was to examine the department's overall strategy and to evaluate its programs and services, as a group, in relation to that strategy. In short the Committee hired RT & Associates to describe and assess the department's long-term, strategic goals and the appropriateness and effectiveness of its programs in achieving those goals.

Methodology

This review is based on a study of Economic Development & Tourism's program literature; on what little statistical data is available on program effectiveness; and on discussions with departmental officials who are primarily responsible for program development and delivery.

Our recommendations are based on the above research and discussions and on RT & Associates personnel's 15 years of collective experience as former employees of ED&T.

In preparing this review, it would have been nice to have presented more statistical analysis of ED&T's programs, but unfortunately few pertinent statistics exist. Lack of information to measure program performance has been a serious deficiency in departmental procedures for many years. The department recently introduced a Management for Results System (MFRS), a computerized data base of program expenditures and their results in terms of employment, investment, etc. which can quickly generate certain program performance and efficiency measurements. So far MFRS contains only data pertaining to last

year, but plans are to input data from previous years, to the extent that it exists, and to regularly update the data bank in future, so that the system will be able to identify trends over time. Though still far from mature, MFRS represents a significant improvement over the previous situation, i.e. virtually no organized data at all. Which brings us to our first recommendation:

We recommend that the Department of Economic Development & Tourism fully support and further enhance the capabilities of its Management For Results System so that the department, the government and the legislature will be in a better position in the future to measure and monitor the effectiveness of departmental programs and services.

Departmental Mandate and Principles

According to its establishment policy, the mandate of the Department of Economic Development & Tourism is to:

- promote and assist in the development of private and publicly sponsored business enterprises that will create jobs and income for northern residents. Further, the Minister and the Department have the mandate to encourage and promote the diversification of the economy and to encourage the development of a healthy Tourism Industry.

Also according to the establishment policy, the department is to adhere to the following principles:

- The potential of the Northwest Territories' human and natural resources should be developed by private sector ownership and employment where possible, and public sector ownership and employment when necessary;

- Extracting, manufacturing, processing and servicing the non-renewable and renewable resource sectors are important and desirable economic activities in the NWT;

- The tourist industry, including parks, is an important component of the Northwest Territories economy;

- Canada/Northwest Territories cost-shared economic development agreements are necessary for the Northwest Territories to realize its economic development potential;

- Non-renewable, renewable and tourist industry development shall be consistent with federal and territorial resource management policy, practices and procedures; and

- The development of business enterprises will provide stable and long-term income and employment opportunities for Northern residents.

ED&T Programs and Delivery

The programs ED&T offers to achieve its mandate fall into three categories (see Appendices I-III for details):

- **Lender-of-last-resort programs** like the Business Loan Fund (BLF) and Eskimo Loan Fund (ELF), which issue loans at attractive interest rates to firms which cannot get debt financing from commercial sources at reasonable rates.

- **Investment incentive programs** which provide the private sector with substantial financial subsidies to create, modernize or expand businesses. These include the Economic Development Agreement (EDA) programs, and affirmative action programs like Special ARDA and the Native Economic Development Program (NEDP).

- **Grants and contributions** which are similar to investment incentives in that they are non-repayable subsidies but the level of subsidy is much smaller and they are generally used either (a) to reduce a firm's debt burden; (b) to assist businesses undertaking "one-shot" activities such as attending trade shows; or (c) to support business-related activities which are considered worthwhile but are not eligible for assistance under other programs, such as chamber of commerce activities.

These three types of programs are used either individually to assist NWT businesses or, more often than not, in conjunction with one another. For example, businesses which receive BLF loans frequently also receive investment incentives and/or grants or contributions to: (a) reduce monthly loan

repayments that would otherwise be too onerous; (b) offset the relatively higher costs, and hence the higher risk, of doing business in the north; and/or (c) make potential returns on investment more attractive.

In short, and with the exception of a few grants and contributions, the primary aim of ED&T programs is to induce entrepreneurs to create economically viable new business or expand, upgrade or modernize their existing businesses when they would not otherwise do so without government financial assistance.

The department advertises its programs through brochures and print and electronic media, and a few people apply for program funding on their own. But by far the majority of program applications originate from the department's Economic Development Officers, who are stationed throughout the north and who represent the public's "window" to departmental programs.

The typical program application begins with a business proposal which the applicant develops together with the area EDO. Their proposal proceeds to the regional office for review by the EDO's supervisor, the Business Development Officer (BDO), or Regional Tourism Officer (RTO) in the case of tourism projects. Depending on the dollar amount involved, the Regional Superintendent either approves the proposal or forwards it (with a recommendation for approval or rejection) to the Regional Loan Board, in the case of a BLF application under $50,000, or to headquarters in Yellowknife, where it is reviewed and approved or rejected by the appropriate authority, e.g. the Territorial Loan Board, the Special ARDA Committee, one of Economic Development Agreement's management committees, the Deputy Minister or Minister.

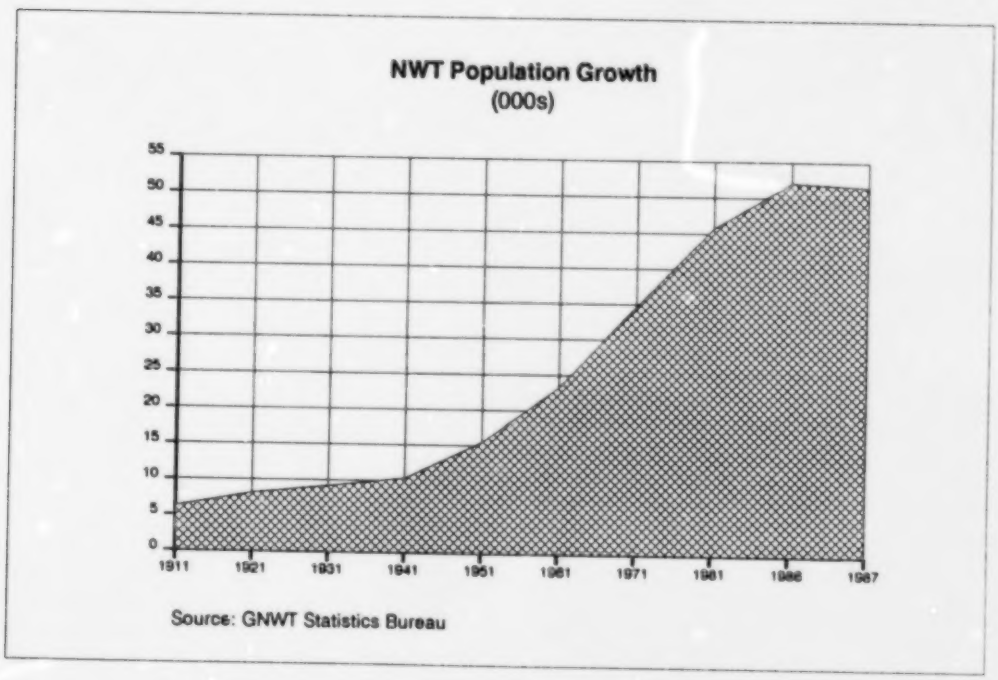
Dual Economy

Crucial to understanding economic conditions anywhere today is the notion of dual economies. Just as the world is characterized by developed and undeveloped countries, and most countries are comprised of what Canadians call "have" and "have-not" regions, so the Northwest Territories economy is best viewed not as one, but as two radically different economies: Most of the non-native population lives in major centres whose economies are dominated by government and/or resource-extraction activities. Average incomes, education

and skill levels are typically very high, unemployment very low and future prospects relatively bright. Conversely, most Inuit, Dene or Metis people (almost 60% of the total population) live in small, isolated villages, where average incomes, education and skill levels are generally low, unemployment high, social assistance is a fact of everyday life and, most important, traditional harvesting activities dominate a dwindling economic base.

Call these two economies what you will – modern and traditional, developed and undeveloped, urban and rural or rich and poor – the central point for this discussion is that economic performance in the former has been good in recent years, better than the national record in some respects, while the record for the latter has been dismal, and threatens to get worse because population growth is among the highest in the world, yet there are few prospects for further economic growth.

In the medium term, at the territorial level, gross domestic product (GDP) rose at an average rate of 13.4% between 1977 and 1986, from $541 million to $1.7 billion (current dollars), far outstripping the average Canadian GDP of 9.9% for



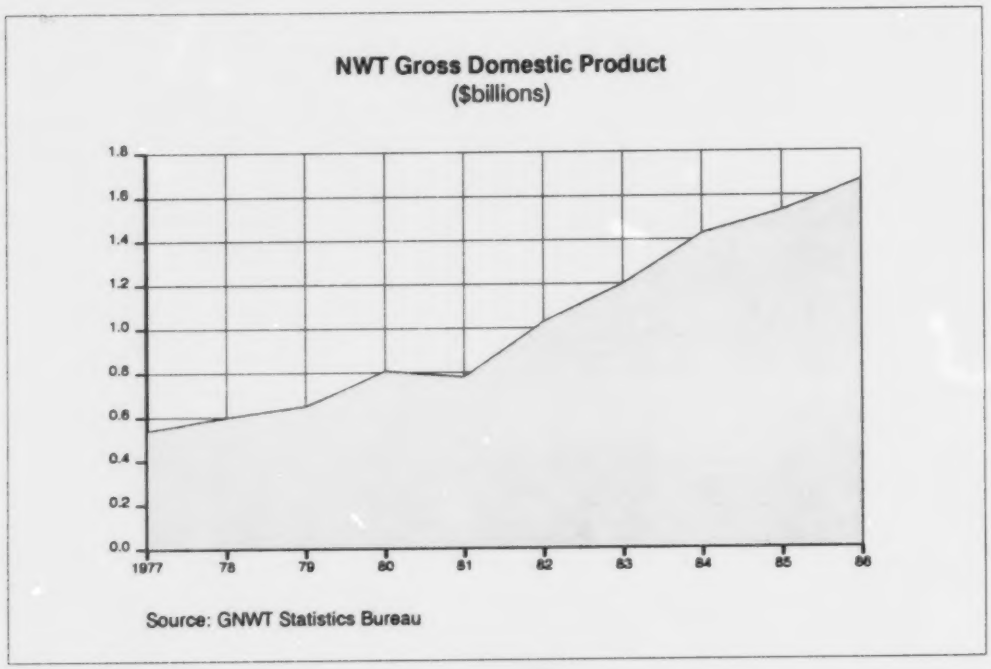
Source: GNWT Statistics Bureau

the same period. In constant dollars, the real growth differential would have been even greater – approximately 6.3% territorially versus 3% nationally.

More recently, monthly employment averaged 18,561 in 1987, exceeding both the 1986 and 1985 levels. Average weekly earnings increased by roughly 5% over 1986, thus exceeding the national inflation rate. Retail sales rose by about 2%, to $256 million in 1987 from $250 million in 1986, and there were 245 more companies registered in the NWT in the last quarter of 1987 than there were in 1986.

On the other hand, the seven wealthiest communities accounted for almost 75% of territorial income, while unemployment rates reached 50% in many small native communities (see Table 1).

The high unemployment rates in small NWT communities mostly reflect longstanding and obstinate structural problems, chief among which are low educational and hence low skill levels, small local markets, remoteness from export markets coupled with high transportation costs, and a woefully



inadequate economic base. Hunting, fishing and trapping certainly remain important economic occupations in many NWT communities inasmuch as they replace more than $40 million annually in food that would otherwise be imported from the south. They also provide some cash income as well as raw material for clothing, etc. But they are no longer sufficiently profitable to constitute full-time occupations in the modern economy, and natural renewable resources no longer provide an economic base capable of generating acceptable levels of employment and income, at least not as traditionally harvested, if at all.

Table 1
NWT Unemployment Rates

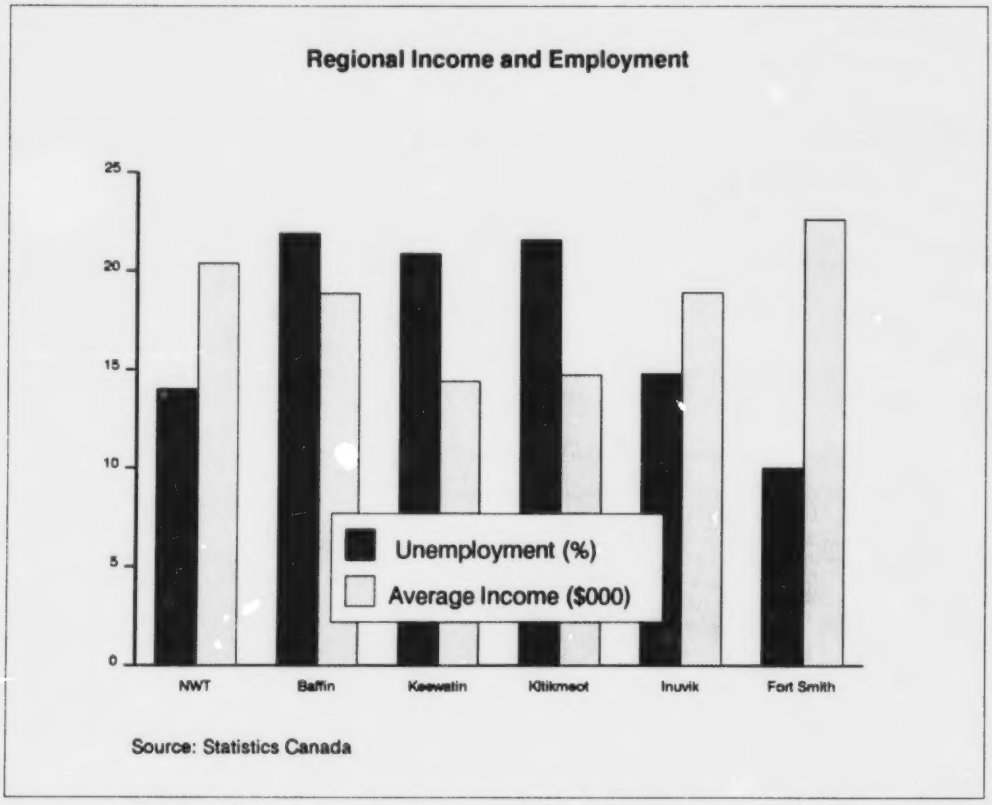
Detah	50.0	Eskimo Point	22.7
Colville Lake	50.0	Rae Lakes	22.2
Nahanni Butte	40.0	**Baffin Region**	**21.9**
Lake Harbour	40.0	**Kitikmeot Region**	**21.6**
Jean Marie River	40.0	**Keewatin Region**	**20.9**
Clyde River	40.0	Fort Good Hope	20.6
Arctic Red River	40.0	Snowdrift	20.0
Aklavik	37.3	Coppermine	19.6
Cape Dorset	36.7	Cambridge Bay	18.1
Broughton Island	36.1	Arctic Bay	17.2
Paulatuk	35.7	Pelly Bay	16.7
Spence Bay	34.3	Pine Point	15.4
Snare Lake	33.3	Fort Franklin	15.2
Repulse Bay	33.3	Chesterfield Inlet	15.0
Lac La Martre	33.3	**Inuvik Region**	**14.8**
Hay River Reserve	33.3	Fort Liard	14.8
Hall Beach	33.3	Fort Simpson	14.6
Coral Harbour	33.3	Whale Cove	14.3
Igloolik	32.7	Iqaluit	13.6
Fort Resolution	32.5	Rankin Inlet	12.9
Gjoa Haven	32.3	Fort Smith	12.9
Pangnirtung	31.1	Fort Norman	12.5
Wrigley	30.0	Hay River	11.2
Baker Lake	28.9	Resolute	11.1
Sanikiluaq	28.6	Grise Fiord	10.0
Tuktoyaktuk	28.4	**Fort Smith Region**	**10.0**
Rae-Edzo	27.8	Inuvik	8.0
Fort Providence	26.5	Tungsten	7.7
Trout Lake	25.0	Norman Wells	5.4
Fort McPherson	24.5	Yellowknife	5.1
Sachs Harbour	23.1	Nanisivik	0.0
Pond Inlet	22.9	Enterprise	0.0
Holman Island	22.7	Bathurst Inlet	0.0

Source: 1986 Census

Program Performance To Date

Overall, ED&T business programs have had considerable success in bolstering the NWT private sector. There were 1,555 more businesses operating in the NWT in 1987 (4,697) than there were in 1980 (3,142), many of which would not have opened without the benefit of government assistance programs. There are also several native development corporations which owe their existence directly to government programs. Last year, for total program expenditures of a little over $9 million the department created or maintained about 175 person-years of employment and induced approximately another $10 million in investment in the NWT economy.

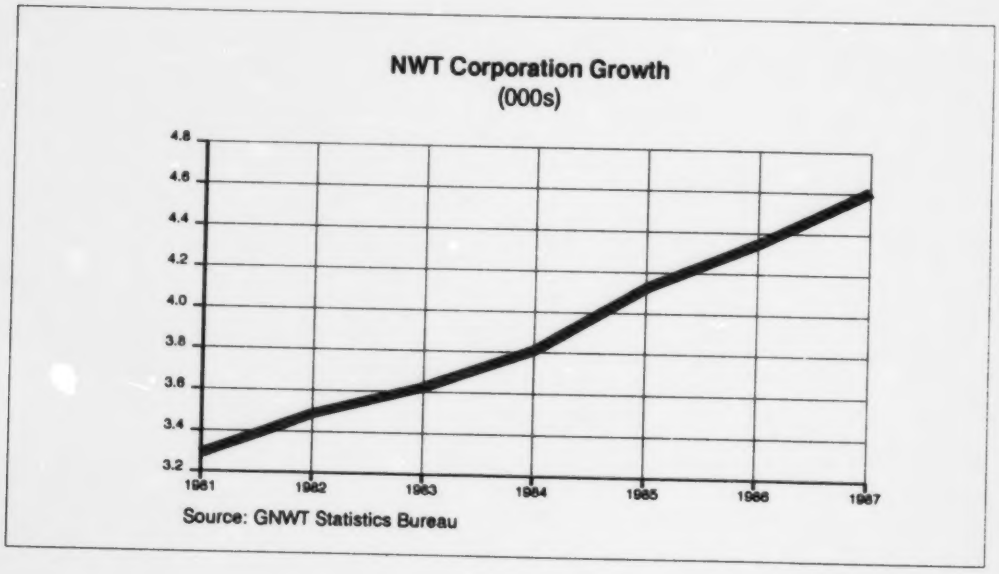
ED&T has had particular success in developing tourism in the NWT, a sector which though still fledgling, has come a long way since the 1960s when the industry comprised a few visitors camping along the Mackenzie Highway or



sport fishing at fly-in lodges. Guest facilities and services have since expanded dramatically. The number of hotels, motels and tourist homes has doubled to 73, and compared to rudimentary quarters of old, visitors can now stay at neat, if small, hotels in most communities.

This is not to say that tourism programs have worked flawlessly; they haven't. There is, for example, the current dilemma of having more visitors than things for them to do. In other words, the development side of both the department and the industry have lagged behind their marketing sides. But this is a temporary ailment, not an inherent strategic problem.

One reason for the success of tourism – or more accurately, travel – businesses is that they have not had to overcome many of the economic constraints posed by small communities. Many of the skills involved in catering to travellers are similar to traditional skills and/or do not require extensive formal academic training to acquire. Of course there is still a great need for "host" training, but the gulf between traditional activities and guiding, cooking and restaurant waiting, for example, is not nearly so great as it is between traditional pursuits and, say, business management, bookkeeping, etc. Moreover, hunters and trappers are likely to already own much of the capital equipment – boats, motors, tents, etc. – they need to start outfitting

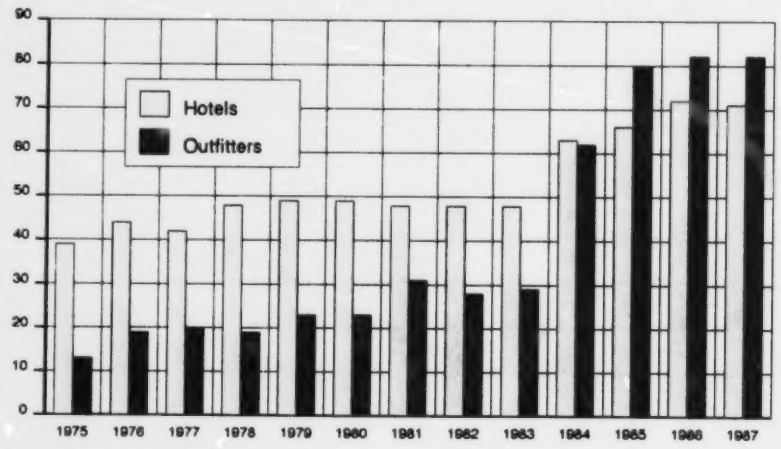


businesses, and are therefore spared many of the start-up investment costs incurred by other kinds of small business.

Another important reason for the success of tourism businesses is that demand for their products and services is not confined to local markets, but extends across the NWT and beyond. This includes government and corporate staff travellers as well as pure tourists whom marketers lure, in effect, by transforming economic impediments into economic benefits – small remote villages in harsh arctic climates become exotic destinations "on top of the world", and local markets suddenly become worldwide markets of wealthy adventure travellers (the fastest-growing travel market today).

Most non-tourism businesses in the smaller NWT communities don't share these advantages, and while ED&T business programs appear to have been successful overall, that success has been marred by very uneven distribution across the territory. In fact their success has been largely confined to communities which already had, or had the potential for, a healthy private sector – notably Yellowknife, Fort Smith, Hay River, Iqaluit, Inuvik and Rankin Inlet. These communities have relatively large populations and large personal

NWT Tourism Facilities



Source: Economic Development & Tourism

disposable incomes, and hence relatively large market sizes, as well as highly educated and skilled labour forces, and good, relatively inexpensive transportation, communications and other business infrastructure. Significantly, too, their local economies are bolstered by a comparatively large government presence.

There are also towns like Nanisivik and Norman Wells which do not have all of the above economic qualities but which are well-off economically because they are dominated exclusively or almost exclusively by a single resource-based industry that generates wealth through exports.

By contrast, most NWT communities have populations of much less than 1,000, relatively low incomes, largely uneducated and unskilled workforces, and virtually no business support services. In other words most NWT communities are hamstrung by the longstanding and obstinate economic structural problems cited above, and as such they also lack many of the basic ingredients for a prosperous and flourishing business environment. ED&T programs have helped some businesses to overcome some of these development barriers, but ultimately economic realities impose limits on what those programs can accomplish, especially when almost all of these programs require business viability.

Private Sector Leadership

Since 1980, at least, Government of the Northwest Territories economic policy has been based on the principle that the private sector should take the lead in developing the northern economy. In part, this policy mirrored privatization initiatives that were in vogue in southern Canada, and in part they reflected the political inclinations of the Minister of Economic Development & Tourism and many of his cabinet colleagues at the time.

The departmental mandate and principles cited above were only recently introduced, and the phrases "publicly sponsored business enterprises" and "public sector ownership and employment when necessary" did not appear in the department's previous mandate. Previously the department's goal was to "foster greater employment and income opportunities for all northerners by facilitating optimal development, *through the private sector*". The result was that

almost all of ED&T's programs were geared to creating and assisting small businesses, and they still are because the department's programs have not yet changed to reflect its new mandate.

In keeping with their focus on the private sector, and again with the exception of a few of the smaller grants and contributions, all of ED&T's programs require applicants to demonstrate that their businesses will be viable, i.e. profitable and self-sustaining, either immediately upon receipt of program funds or at least within five years, because the programs are intended to foster healthy businesses; they are not intended to "make work".

In keeping with both the viability criterion and the need for accountability in dispensing public funds, almost all of the programs also call for some equity on the part of applicants. Requiring equity, even if it is "sweat equity" in the form of labour, is an accepted (though by no means infallible) method of identifying those who are genuinely motivated to make a success of their ventures, as opposed to those who are merely out to make a buck at public expense.

There are a number of other eligibility criteria under ED&T's business development programs which, though not always explicitly stated, are implicit in the viability criterion. One is that existing or prospective businesses will have an adequate market, i.e. that they will be able to serve at least the minimum combination of population size and personal disposable income required to render those businesses profitable. Another is that applicants have, or have access to, adequate management skills.

From a small business perspective, all of these criteria – viability, equity, minimum market size and sound management – make sense. The problem from a development perspective is that the same criteria impose severe limitations on the applicability of ED&T's programs in most of the smaller NWT communities because most of the smaller communities are hard-pressed to meet the criteria. Unlike the wealthier centres, the smaller towns don't have a history of capital formation and saving, and so would-be entrepreneurs in those communities are frequently ineligible for funding under programs which require cash equity. As for adequate market size, small communities with small local markets are limited in the numbers and kinds of businesses they can support. While Yellowknife, for example, can support several profitable shoe stores, most NWT communities can't support one.

Straining Limits of Domestic Markets

If there is a flaw in ED&T programs it is not that they are poor programs. Their eligibility criteria are appropriate in light of their overall purpose – fostering business growth – and the programs have had considerable overall success in those terms. That is not to say the programs are perfect, that microscopic examination would not reveal the odd shortcoming here and there. No doubt it would, but such nitpicking would serve little purpose and in any case would overstep our mandate to evaluate departmental programs in light of overall, strategic goals.

Strategically, the fundamental problem confounding ED&T programs today is that most NWT communities are so small that they have reached or at least are quickly reaching the maximum number of self-sustaining business enterprises that their local economies can support – and which, therefore, ED&T programs can support, given the current viability criterion.

In other words ED&T programs have achieved the departmental objective of assisting the private sector in promoting the establishment and maintenance of viable Northwest Territories businesses in places where viable businesses can take root and thrive. But they will not achieve the broader goal of securing acceptable levels of long-term income and employment throughout the NWT by relying on the private sector to set up more viable businesses in small local economies which simply can't support any more, or at least very many more.

Nor, for different reasons, will the department likely be able to continue using the same programs to assist the private sector in the major centres for very much longer. The EDA in particular has been decried for lapsing funds in recent years. Like the other programs, the EDA requires equity and viability, but it also places another restriction on eligibility under its business development programs called *market disruption*. For obvious reasons, governments do not want to disrupt the existing commercial order, that is they don't want to provide subsidies to any business which is competing with other businesses in the same market area. That restriction, though legitimate and fair, is beginning to severely constrain funding under the EDA and all ED&T programs because even the larger communities are running out of new and profitable commercial undertakings that do not compete with existing ones.

Need For More Exports

So far, with the exception of tourism, we have been discussing local, or domestic, markets. Unlike grocery stores and coffee shops, tourism businesses have the distinct advantage of access to vast and wealthy markets. Tourism is an export industry because it sells local products – in this case, scenery, canoe trips, fishing, etc. – in a global marketplace.

Most NWT communities have all or nearly all the non-export businesses they can realistically support, and henceforth, to come even close to achieving full employment someone will have to develop more export businesses. In the case of non-renewable exports like minerals and petroleum, that "someone" will undoubtedly be the private sector. In the case of arts & crafts and renewable resources – the only other widespread non-tourism export candidates – that "someone" will not likely be the private sector, at least not initially and certainly not without enormous public financial support that does not demand business viability in the short term, if ever.

A related development tact would be to find ways to reduce "leakage" from the territorial economy by replacing more imports with domestically-produced goods and services. Economically, import replacement amounts to the same thing as exporting and it should be pursued wherever possible. Practically speaking, however, economies of scale in southern economies make it extremely difficult for northern producers and suppliers to compete with their southern counterparts. At least with exports – especially tourism, renewable resource and arts & crafts exports – northerners have some comparative advantage inasmuch as their products are sufficiently different, if not unique, from southern products and therefore don't have to compete solely on the basis of price.

Government Development Corporation

Until early 1980s ED&T owned a number of *commercial enterprises*. There were sewing shops, parka shops, fish plants, a sweater factory, a jewelry studio, a tapestry studio, canvas shop and fur garment shop as well as grocery stores and a dry cleaning business, for example. The government still owns several of these enterprises, but in the spirit of privatization, most of them were either sold, where possible, or shut down completely because they were not profitable.

From a purely business viewpoint, there were (and are) many things wrong with these enterprises. One major reason why none of them was profitable or even self-sustaining is that their managers had to adhere to government rules for purchasing, employment and personnel, etc. They were not free to run the enterprises in a normal business-like manner, and the managers themselves had no financial incentives to manage them as efficiently and profitably as possible. As a result, they were more akin to "make-work" projects than businesses. But in the final analysis, they did (and do) employ people, and we feel that in getting rid of some of them, government threw the baby out with the bathwater so to speak.

There has been considerable discussion at ED&T recently about establishing a crown corporation that would assume control of existing government enterprises and set up new ones. Some of them would be domestic businesses, e.g. barber shops and laundries, but most would provide much-needed export income through the production of arts & crafts and renewable resources. All of them would have to be carried by government for a long time, many probably forever.

By "carry" we don't mean "coddle". Tougher operational decisions will have to be made with respect to personnel, costs and production procedures, etc. than was the case before if these enterprises are to maximize revenues, minimize costs and perhaps above all provide much-needed experience in the ways of business in today's competitive world.

Traditionally, craftspeople did not have to worry about exact parka fit, for example, or whether lefthand mukluks exactly matched the righthand ones. Nor did they have to worry about production schedules and deadlines. They didn't have to worry about such niceties because the traditional marketplace didn't demand them. But to succeed in modern export markets will require close attention to such matters.

The principal reason for operating the enterprises under a corporation would be to give their managers corporate freedom to manoeuver and at the same time give them more incentive to use that freedom to run their operations in a more business-like manner than is possible under straight government control. Under the corporation, for example, managers would be free to purchase whatever supplies they required from whomever they wanted, when they wanted and without reference to GNWT purchasing regulations and therefore without the

inevitable delays caused by having to tender virtually every order. The corporation could give managers achievement incentives and hold the managers accountable for their performance much more readily than government could. It could also keep a tighter rein on costs.

There is no doubt that even with better management and tighter operational control most of these enterprises would not likely become viable for a long time, if ever, and ongoing government subsidies would be required to offset the high costs of doing business in the north, the shortage of skilled labour and remoteness from export markets (or even major NWT markets). Still, we believe that carefully spent, the subsidies would be money well spent (and certainly as legitimate and useful as, for example, the subsidies that have become intrinsic to fishing and farming businesses practically everywhere else in the country). In the first place, subsidizes for properly-managed enterprises might often be cheaper – not to mention more humane – than paying welfare, and its associated social costs, for those who would otherwise be unemployed. Second, removing the viability criterion would allow the department to overcome the inescapable obstacle imposed by the fact that few communities can support many more self-reliant businesses. Finally, the enterprises would counter another tacit false assumption behind departmental programs – the assumption that most people want to own their own businesses rather than work for someone else.

With the single exception of STEP, which by definition is only a short-term "make-work" program, the department has no programs to specifically promote employment. It is true that small businesses are an increasing source of new jobs in developed countries and that is probably also true in major centres in the NWT. But the fact is that not everyone wants to be an entrepreneur. Entrepreneurs are a minority in any modern labour force, and there is no reason to expect otherwise in the NWT, particularly in the small communities. Indeed, given the generally low educational levels here, we should expect far fewer people to have entrepreneurial and managerial abilities, even if they were willing.

In sum, business-aid programs have, or soon will, become almost redundant by virtue of saturated domestic markets in the smaller communities. Thus only by producing more exports (or replacing more imports) will the government be able to generate significantly more jobs. Since those exports will require ongoing

subsidies to offset comparative disadvantages in the north, and since careful subsidies could often outweigh welfare and other social costs:

We recommend that the Government of the Northwest Territories create and subsidize the operation of, carefully-selected enterprises which employ significant numbers of people in the production of goods for export.

We also recommend that the Government of the Northwest Territories create and subsidize the operation of, certain domestic service businesses which would normally be present in modern small communities but which would not be viable in most NWT communities until they reach a greater population size.

Inasmuch as corporate management has advantages over government management, we believe ED&T is on the right track in contemplating a crown corporation and:

We recommend that Economic Development & Tourism pursue the institution of a crown corporation to manage the above enterprises, and that the corporation be accorded at least a 10-year mandate with sufficient resources to fulfill that mandate without political interference in its day-to-day operations.

In making this recommendation we assume the department's Business Development Division and its business programs would be rolled into the corporation, i.e. that the corporation would not be simply a duplication of, or minor variation on, what already exists. Further, we assume that current programs will continue to be used to promote viable businesses where they are feasible, although we expect that since market saturation is quickly closing in on the applicability of programs which require viability without market disruption, we would expect budgets to be reallocated accordingly.

We have recommended a 10-year mandate because we feel one of the drawbacks to existing programs, particularly some of the "big- money" programs under the EDA, is the one-year limitation on contributions. Developing export industries like fisheries and game ranches, for example, will take a lot of time

and patience, and we feel the corporation's planning should not be constrained by one-year horizons.

If the crown corporation manages to overcome many formidable economic obstacles and creates enterprises that eventually become self-reliant, all well and good. But if, as is more likely, most enterprises require perpetual subsidies, we can only hope the GNWT will be forever willing to foot the bill for non-viable enterprises, and not suddenly unload them as it did a few years ago.

Of course there should be an upper limit on subsidies for these enterprises. In many cases we suspect a thorough cost/benefit analysis will reveal that the subsidies will be equal to or not much more than the total costs of welfare and of alcoholism, drug abuse, crime etc. which invariably accompany life on welfare. But the key question which the government should address – and to our knowledge, never has – is how much it should pay to subsidize employment.

We recommend that the Government of the Northwest Territories establish guidelines with respect to acceptable per-job costs for subsidized employment.

There has been some debate recently about whether subsidized enterprises should be controlled by ED&T or by Social Services. Those who favour the latter argue that ED&T should restrict itself to developing viable businesses and leave subsidized enterprises, i.e. social rather than economic enterprises, to Social Services.

We disagree with this argument. We believe it is important for both economic and educational reasons that even subsidized enterprises be run as much as possible like businesses, even if they don't break even, and we believe people with a business, rather than social, background and orientation are better equipped to do that.

ED&T Can't Do It All Alone

Government-owned and operated enterprises will undoubtedly ease unemployment problems in some communities, but they will be far from an economic panacea. With unemployment rates already high in most communities

and population growth threatening to make things worse, it would be delusion in the extreme to believe that anyone can do anything to rid the NWT entirely of unemployment.

Two things are certain, however: one is that if the GNWT expects to make significant headway in economic development it will have to allocate more money to the task, particularly for developing export businesses; the second is that the Department of Economic Development & Tourism cannot – and should not be expected to – address territorial economic problems alone.

For several years now the GNWT has proclaimed economic development its number-one priority, and yet the Department of Economic Development & Tourism has been allocated consistently less than 5% of the government's budget (see Table 2).

Although it would be foolish to suggest that money alone can eliminate our economic problems, it would be equally foolish to expect much future income

Table 2
ED&T Percentage of GNWT Budgets

	1988	1987	1986	1985	1984
Operations & Maintenance:					
ED&T	23,516	26,768	20,703	17,159	19,707
GNWT	636,221	565,802	493,365	439,822	414,251
ED&T %	3.7%	4.7%	4.2%	3.9%	4.8%
Capital:					
ED&T	2,452	2,485	4,774	1,474	1,085
GNWT	161,432	127,209	118,501	96,411	73,490
ED&T %	1.5%	2.0%	4.0%	1.5%	1.5%
Total Expenditures:					
ED&T	25,968	29,253	25,477	18,633	20,792
GNWT	797,653	693,011	611,866	536,233	487,741
ED&T %	3.3%	4.2%	4.2%	3.5%	4.3%

Source: GNWT Annual Reports

and employment growth in the smaller communities without a substantial infusion of public funds, especially in such areas as commercial renewable resource development, where risks are high and returns are long in coming.

It would also be foolish to expect the Department of Economic Development & Tourism to develop the territorial economy in isolation from other departments and agencies. Government at all levels constitutes a major force in the territorial economy. Department of Public Works and Highways and Housing Corporation expenditures and Government Services purchases, in particular, have a tremendous impact on the economy and represent a huge potential source of income and employment. Yet there is rarely any coordination of activities among ED&T and other departments. As a result many economic opportunities go unfulfilled, or more to the point, go south.

If the GNWT were to make a concerted effort to "buy north" in every practical circumstance it would generate substantial business and employment opportunities. In some instances this would be a simple matter of buying only northern arts and crafts for government offices and officials, or burning wood rather than oil in public housing. In others it would be more complex, as in using local contractors and labour to build public housing. In all cases, of course, a strict "buy north" campaign would make government less efficient operationally and budgetarily, but if the GNWT is serious about making economic development its number-one priority, then in our view, it will have to adopt a more coordinated approach to development and ensure that all departments share responsibility for economic development.

(Some have questioned whether ED&T's proposed corporation should also be saddled with a "buy-north" policy. As an instrument of public policy, it should make reasonable efforts to purchase in the north, but the corporation itself and the enterprises it controls should operate like businesses, and we feel that the educational value in terms of sound management and work habits should not be jeopardized by a "buy-north" policy.)

Territorial fiscal policy is another important activity that should dovetail with economic policies. At present, as far as we can see, the Department of Finance sets taxes solely on the basis of their revenue-generating capacity, and with scant regard for their economic implications. The result has been conflicting policies.

For example, while ED&T has been trying to promote business growth, Finance has established one of the highest business tax rates in the country.

The issue of interdepartmental cooperation and coordination goes beyond financial concerns. Education, for example, is a critical factor in the success of economic development initiatives. So too, in the NWT, are renewable resources, the mining and petroleum industries, transportation and others under the control of other departments. Squabbles between the development-oriented ED&T and the more conservationist Department of Renewable Resources over commercial renewable resource harvesting have been a problem for many years, and these feuds will likely intensify as ED&T looks more to exports to promote territorial growth.

Unlike most other Canadian jurisdictions, the GNWT has no permanent committee or agency charged with coordinating all departments' economic activities. Some believe that yet another committee would do little to bring about a more coherent government approach to economic development, and they might be right. We have no specific recommendation on how to achieve inter-departmental coordination on economic matters, but our experience with sporadic voluntary attempts at such coordination in the past leads us to conclude that some form of policing mechanism will be needed to ensure long-term, systematic efforts on the part of all concerned.

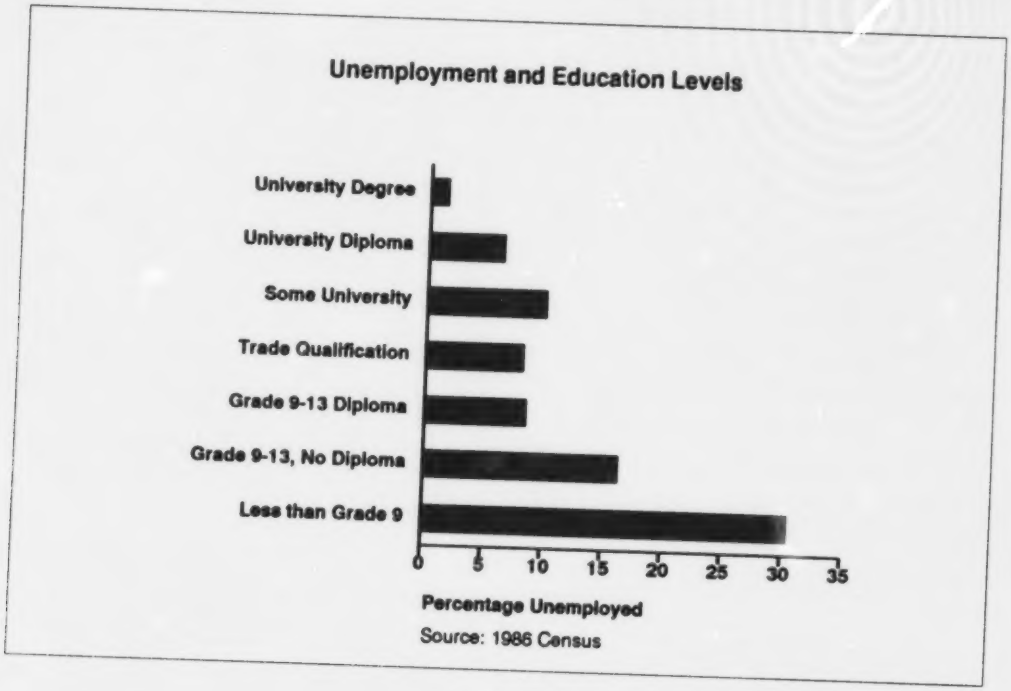
> **We recommend that the Government of the Northwest Territories strengthen its "buy-north" policies and that it institute some mechanism to enforce coordination and cooperation among all departments on all matters related to economic development.**

One obvious source of "policemen" has been overlooked, or at least underfunded, in the NWT Legislative Assembly: MLAs who are not members of the government. Unlike other Canadian jurisdictions, the NWT "opposition" receives no regular funds to research budget and other issues on which they are expected to vote. Can members from far-flung constituencies working without research assistance truly reach informed opinions on whether the Department of Economic Development & Tourism should be spending $X thousand on program Y instead of $Z thousand on program B? We believe they can't; we believe that "opposition" MLAs should have research staff to assist them in their deliberations.

Need for Education and Training

Many motivated people with little formal education have done quite well managing small "mom-and-pop" operations like confectioneries and coffee shops, often with periodic assistance from EDOs. But managing larger, more complicated export firms will require more expertise than is available in the smaller communities today. Likewise, it would be a mistake to assume modern commercial country food production is the same as traditional hunting and fishing, or that efficient arts & crafts production is the same traditional carving. To capitalize on export opportunities in arts & crafts and renewable resources will require modern production techniques. And developing local management and production skills will require extensive training, which in turn will entail a need for basic education.

As the Special Committee has commissioned a separate study on training we will not dwell on it here, except to stress that lack of management training and education in general are unquestionably major barriers to development in the NWT, and to point out that while ED&T has made occasional attempts to train



business managers over the years, it has never instituted any systematic and sustained effort in this regard.

Paperburden is Legitimate

ED&T programs are frequently criticized (often unfairly) for being too bound up in "red tape" and "paperwork". No one would deny that there are times when procedures overrule efficiency and applications run amok in the bureaucracy, but after 15 years of working for ED&T, we can honestly attest that this is rarely the case, and that most government officials are as anxious as anyone to avoid bureaucratic hassles. Those officials must be accountable for the money they give out, and in our view they can legitimately expect that people seeking public funds to spend a little time and effort helping government officials to determine if those public funds will be well spent, and spent in the manner intended by the elected officials who made the funds available.

More pertinently in terms of economic development, we believe the bulk of the paperwork attending a business application, i.e. preparing a business plan, serves a useful purpose: an applicant who can't complete a business plan is far less likely to succeed in business than one who can. Of course many entrepreneurs have made their fortunes intuitively, without so much as a matchbox scribble to guide them along the way, but we believe they are exceptions that prove the rule – that two out of every three Canadian businesses fail within the first three years of operation because they have been poorly managed, and many of those businesses would not have failed if their owners had developed and followed a proper plan.

Privatization Could Go Further

While government enterprises can play a useful role in generating income and employment and in providing training, where the private sector is unable or unwilling to do so, we trust the crown corporation idea will not overshadow the value of privatization where it is practicable.

A recent review of the GNWT's Privatization Policy indicates that government attempts to transfer delivery of public goods and services to the private sector has been haphazard and that there are still several major government functions

which could be performed at least as well and economically by territorial firms. Releasing these functions would increase the number of viable economic opportunities available to private business in large and small communities.

We recommend the GNWT take a more proactive and concerted approach to privatization than it has in the past.

Need for New Entrepreneurs

At present, virtually all ED&T funding programs require applicants to have been continuously resident in the Northwest Territories for at least one year, and often three. While we can understand the sentiments which gave rise to this eligibility criterion, we believe it is a strategic mistake in that it needlessly restrains economic development. The NWT needs new entrepreneurs, especially those with expertise in such fields as agriculture, aquaculture, ranching and high-tech fishing, which is not currently available here. Rather than impose discouraging residency requirements, we believe ED&T programs should actively encourage such entrepreneurs to set up shop here.

Who cares where investors come from if they are willing to invest in ventures which generate income and employment for NWT residents? Some argue that native people care because they don't want more non-native businessmen usurping an even greater share of business ownership in their homeland. Our answer is to encourage joint ventures whenever possible, and to carefully weigh the trade-off between jobs without ownership versus no jobs at all, when that is the reality of the situation. Others argue that non-native businesspeople would not want the residency requirement removed for fear that the newcomers would move in on their market territory. Our answer is, they would be protected by the market disruption criterion prohibiting subsidies to competing businesses, and any new, non-competing businesses that these entrepreneurs create would be good for all local businesses.

We recommend that the Department of Economic Development & Tourism revise its programs' NWT residency requirements with a view to attracting new entrepreneurs and expertise to the Northwest Territories.

Market Disruption vs Local Employment

ED&T's Fisheries Assistance Program is unique in requiring not only that applicants (i.e. commercial fishermen) have been active in fishing in the NWT for at least one year, but also that at least 80% of their crew have been continuously resident for three years. ED&T included that caveat because it realized most of the Hay River fishermen receiving assistance were employing crews comprised mostly of people from outside the territories.

The unemployment rate in Detah is 50%. The unemployment rate in Yellowknife – only 12 miles away – is 5%. Should market disruption rule out subsidies to Yellowknife businesses (like restaurants, building contractors, and others requiring low-skilled help) if the subsidies are used at least partially to defray the cost of bringing employees to Yellowknife from Detah – or even Rae (28% unemployment)? We don't think so. Indeed we think the government should actively encourage mobility from areas of high unemployment to areas of low unemployment.

We recommend that the Department of Economic Development & Tourism develop programs to encourage employee rotation from places of high unemployment to places where jobs are abundant.

We also recommend that the Department of Economic Development & Tourism revise its market disruption criteria to allow for subsidization of businesses which hire northerners under certain circumstances.

Staff Problems

A recent review of the EDA's business development programs made it clear that many EDOs and some BDOs are not sufficiently familiar with departmental programs and how to access them, i.e. they are not sufficiently skilled in presenting the kinds of funding proposals that program managers in headquarters can approve in accordance with the rules of the programs at hand. For many EDOs, what goes on in headquarters – how program decisions are made and who makes them – is a complete mystery.

To be fair, the problem in many cases is not ignorance but lack of time; regional staff are often so swamped with administrative chores that they haven't as much time as they need to give each proposal the attention it should get. But in many other cases, to put it bluntly, too many ED&T officers simply don't know how to properly prepare business plans in general and commercial or government funding proposals in particular.

The root of this problem, we believe, is high staff turnover. The department does not have an orientation program for new staff nor an upgrading program for existing staff. The department has called all staff together for a conference with workshops every two or three years, and there are more frequent regional staff conferences and workshops, but occasional two- or three-day workshops, we believe, are not enough.

Some argue that there is no need for staff training because people hired as EDOs and BDOs, should already have acquired the kind of skills they need to prepare standard business plans, etc. The flaw in that argument is twofold: first, a good EDO or BDO is not simply an accountant, but someone who combines general business and community development skills with an ability to teach those skills, usually in a cross-cultural environment; and second, officer salaries are not high enough to attract and keep enough people who possess those two skills. EDOs, after all, are the department's staff on the "front line"; if they are not sufficiently well-equipped to perform their very important functions, the department, and economic development, suffers extensively and needlessly.

> **We recommend that the Department of Economic Development & Tourism institute periodic but regular, in-house, hands-on staff training in both the business and community-development aspects of their jobs.**

High turnover has also adversely affected the department at a more senior level. Unlike most other GNWT departments, where deputy ministers have held their positions for years, Economic Development & Tourism deputies have changed, on average, every two years during the past five years. Moreover, and again unlike most other departments where deputies hold academic and/or practical qualifications related to their positions, not one of the above ED&T deputies had any particular economic development qualifications or experience. We do not mean to disparage the concept of ministerial prerogative or to denigrate

individuals – some deputies were hired as, and were, good administrators – but we must point out that the quick succession of leaders had a negative impact on continuity and on staff morale.

Conclusion

ED&T programs have by and large succeeded in helping private businesses to promote a stronger and more diversified private sector, particularly in places which were ripe for business development. But there is a limit to the number of viable businesses any community can support. Most of the smaller NWT communities have reached that limit, or soon will, and will be ineligible for assistance under any programs requiring viability, at least as far as domestic markets are concerned. Most of the larger communities will also soon be ineligible for ED&T funding because the market disruption criterion (as now defined) will come into play far more frequently than it has in the past.

Despite its successes in business creation, most of those businesses do not employ a lot of people, and ED&T therefore has not been very successful in creating employment and income in general. To make progress on this front will require generating more exports (or replacing more imports) and that in turn will likely involve a great deal of public financial assistance, even perpetual assistance in many, if not most, cases. There is at present no provision for developing such export businesses if they are not going to be viable within a limited time.

Under the circumstances – saturated domestic markets and a need for costly export development – there is a need to reevaluate departmental programs. The department has begun doing so, and is considering the establishment of a corporation which would operate subsidized government enterprises in a more efficient manner than was the case in the past. We believe this initiative is a welcome and overdue step in the right direction.

We also believe the Government of the Northwest Territories must come to grips with the fact that virtually every one of its departments impinges in one way or another on the northern economy and that the lack of cooperation and coordination between departments squanders the government's potential to enhance the economy.

Finally we also believe that no one has a magic wand, and no one is going to be able to achieve full employment in the NWT in the foreseeable future, if at all. The government can revise and fine tune its policies, sustain publically-funded enterprises, adopt more productive modern techniques, finance worker mobility between places with high unemployment and low unemployment, buy more northern goods and services, improve educational levels, and undertake a myriad of other economic programs; but in the final analysis it is highly unlikely that we will overcome the NWT's population growth and formidable economic hurdles to the extent of creating jobs for all who want them.

As long as high unemployment persists we believe it would be better to subsidize hunting, fishing and trapping, for example, than to subsidize rents or pay welfare to able-bodied people. We realize that in this specific instance, subsidizing traditional pursuits involves a number of trade-offs (and the Special Committee has commissioned a study which will examine the issue in detail). But as a matter of guiding principle, as long as the government is faced with a choice between welfare payments and subsidized productive activity, we believe it would be better to subsidize productive activity whenever possible, and certainly whenever thorough cost/benefit analysis indicates that the costs of subsidized activity are within acceptable guidelines for employment subsidization.

Appendix I

Business Development Division Programs

The overall goal of the Business Development Division's programs is to provide financial, managerial and technical assistance to existing and prospective new businesses in the NWT private sector. Some of these programs are federal programs delivered by the Division.

Most of the programs are delivered by Economic Development Officers who maintain offices in almost every NWT community to perform a variety of tasks, including:

- Assisting communities in developing economic plans and businesses in developing their individual business plans;
- Conducting business development workshops;
- Explaining territorial and federal business programs;
- Providing regular professional consultation in such areas as business organization, marketing, accounting and staff management;
- Assessing business ideas submitted by local people in terms of their compatibility with community and regional business plans.
- Assisting clients in assessing the feasibility of their business ideas, developing related business plans and financing proposals, and directing them to appropriate private or public financial institutions and government programs.
- Visiting client businesses regularly to offer advice and guidance to management, monitor business performance and recommend improvements if required; and
- Helping clients to obtain accounting, legal, tax and other professional services.

Most of the following programs are intended to facilitate the creation, expansion or modernization of small territorial businesses of one kind or another, and eligibility for funding in most cases is therefore restricted to businesses which are duly registered or licensed to carry on business in the Northwest Territories. Most Business Development programs also carry a residency requirement. In the case of individuals, applicants must have been continuously resident in the Northwest Territories for either one or three years, depending on the program under which they are applying for financial assistance. In the case of corporations, 51% of their share capital must be held by one or more persons who have lived continuously in the Northwest Territories for at least one year, and the businesses must maintain bona fide offices in the Northwest Territories. Residency requirements -- i.e. whether one or three years -- are noted for each of the following programs.

In general, projects receiving grants or contributions (as opposed to loans) are also expected to make some contribution, however small, to the advancement of the territorial economy as a whole "by ensuring maximum employment opportunities for territorial residents or by providing general services to the residents or communities of the Northwest Territories".

Successful applicants are invariably required to sign letters or legal agreements with the GNWT stipulating the terms and conditions under which the assistance is offered and holding the recipients responsible for adhering to those conditions.

Business Loans and Guarantees Fund

Purpose: To issue business loans and guarantees to northern businesses as a lender of last resort to stimulate economic development and employment in the Northwest Territories.

The business loans and guarantees fund provides loans and guarantees for loans to business enterprises which are unable to obtain conventional commercial financing. Loans and guarantees are limited to $500,000 per applicant. Terms may be up to five years at interest rates of prime plus 2%. Security guarantees in lieu of surety bonding may be available to contractors who are unable to obtain bonding from conventional sources.

Approved funds must be used for legitimate business purposes. Applicant businesses and their proposals must be economically viable. Applicants must contribute equity of 10% of approved funds.

The territorial loan board reviews larger applications for over $50,000. Regional loan boards review smaller applications.

Eskimo Loan Fund

Purpose: To further the economic and social well-being of Inuit people by encouraging and assisting the development of Inuit-controlled businesses.

Loans up to a total of $250,000 may be granted to Inuit-controlled businesses for terms of up to 15 years at interest rates of prime plus 1%. Businesses which are more than half owned by Inuit or which employ a minimum of 51% Inuit workers are eligible.

Loans may be granted for most legitimate business purposes provided that loans are not applied against existing debt or used for housing projects.

All loans are reviewed by the territorial loan board.

Financial Assistance to Business

Purpose: To provide financial assistance to business enterprises which are in legitimate need of financial assistance.

Assistance is provided to northern businesses for legitimate expenses incurred during normal business operations.

Levels of assistance are determined by such factors as fixed costs, number of jobs maintained as a result of the assistance and annual wage bills.

Business Development Program

Purpose: To encourage and assist in the establishment, expansion and modernization of business enterprises in the Northwest Territories.

Contributions may be granted to northern businesses for the purchase, installation, renovation, improvement or expansion of equipment or business premises used, or to be used, in the course of carrying on a business enterprise.

Financial assistance is limited to $10,000 per additional full-time job created, to a maximum of $50,000. Contributions must not exceed 25% of the total proposed project expenditure. The remaining 75% should be secured through private sources or commercial or government lending institutions.

Small Business Grants

Purpose: To provide financial assistance for developmental or extraordinary operating costs involved in establishing or maintaining a business enterprise.

Financial assistance is provided to northern businesses in legitimate financial need which are unable to secure assistance elsewhere on reasonable terms and conditions.

Grants are limited to a maximum of $2,500 and may be awarded to an applicant only once.

Commercial Fishery Assistance Program

Purpose: To support the development and competitiveness of commercial fisheries in the Northwest Territories by off-setting the high freight or production costs associated with arctic operating conditions.

Contributions may be granted to commercial fishermen under four categories:

- **Great Slave Lake export whitefish production:** in summer, assistance sufficient to give NWT commercial fishermen the same return per pound, after cost, as received by Lake Winnipeg commercial fishermen; and, in winter, assistance sufficient to offset the cost of freighting from Hay River to Winnipeg, up to a maximum of 9.5¢ per pound.

- **Other Great Slave Lake export fish production:** assistance sufficient to maintain fishermen's net freight cost on Great Slave Lake at 1.5¢ per pound.

- **Other export inland fisheries:** assistance sufficient to give all eligible commercial fishermen the same dollar amounts per pound as provided to the Great Slave Lake fishermen for the same species of fish.

- **Export char fisheries:** assistance sufficient to maintain price levels at the previous year's level, FOB Winnipeg, or to offset 50% of the cost of shipping fish from a Northwest Territories processing plant to Winnipeg, whichever is greater.

Applicants must be commercial fishermen who have been, and 80% of whose helpers have been, residents of the Northwest Territories for at least three years; must show they have been active in commercial fishing in the year for which they are seeking assistance; and must operate financially marginal fishing enterprises.

Forest Industry Assistance Program

Purpose: To support the development of the NWT commercial forestry sector by contributing to the cost of new road construction leading to timber supplies, and the carrying costs associated with the production or acquisition of log and lumber inventories.

Contributions may be granted to forest industry businesses under two categories:

- **Forest Access:** contributions are made for constructing low-standard access roads to timber supplies, up to the lesser of 50% of the actual cost of road construction or $20,000 per annum.

- **Production Incentive:** contributions are made to reduce the carrying costs associated with the production or wholesale purchase of log and lumber inventories. Sawmills which increase their log inventories beyond the previous year's stock may receive $2 per cubic meter for the increased stock, to a maximum of $10,000 per annum. Wholesale lumber purchasers may receive $20 per 1,000 fbm for lumber inventories purchased between October 1 and December 31 to a maximum of $20,000 per annum.

Eligibility is restricted to northern businesses involved in commercial logging, lumbering or wholesale lumber purchasing. Applicants must demonstrate that they have been in operation for one year prior to applying and, if in lumbering, had an annual production rate of 75,000 fbm the year prior to applying.

Renewable Resource Business Enhancement Program

Purpose: To provide contributions through a fund of last resort for the establishment and enhancement of new or existing NWT renewable resource businesses.

Contributions fall under two categories:

- **Capital contributions** are provided for the establishment, expansion, purchase or modernization of renewable resource businesses which are considered critical to the development of the NWT renewable resource sector. Contributions are normally limited to 50% of capital costs to a maximum of $250,000.

- **Operation and Maintenance contributions** are provided to renewable resource businesses in financial difficulty. Contributions may cover up to 100% of losses to a maximum of $50,000 where

loan financing is not involved; or up to 100% of interests costs to a maximum of $20,000 where loan financing is involved.

Successful applicants must demonstrate that the venture will become self-sufficient within five years, that current liabilities do not exceed current assets plus the requested assistance, and that total debt does not exceed the book value of all assets plus the requested assistance.

Financial assistance will not normally be provided for more than five years.

Carving Stone Supply Program

Purpose: To assist communities and businesses in securing adequate supplies of soapstone, whalebone, bone, antler or ivory and other carving materials.

This program pays for skilled advisors who train NWT residents in the application of quarrying and related material and equipment used to retrieve carving materials. The program may also provide transportation subsidies to reduce the landed cost of carving materials to $2.75 per kilogram in host communities.

Those eligible include organized community groups acting on behalf of carvers, community councils, Hunters and Trappers Associations, carver guilds, cooperatives, licensed businesses, artist associations or Inuit art foundations.

Successful applicants must comply with relevant shipping regulations.

Arts & Crafts Development Program

Purpose: To assist in the development, production and promotion of NWT arts and crafts including carvings, prints, wallhangings, apparel and hand-made gift items.

Services, primarily for Dene, Metis and Inuit artists and artisans include provision of:

- Artistic production and marketing consultants to businesses and organizations engaged in arts and crafts production or promotion;
- Information on wholesalers, retailers, arts and crafts producers and sources of raw materials and equipment;
- Market research and feedback on arts and crafts produced in the Northwest Territories;
- Advertising and promotional support to arts and crafts producers and retailers in the NWT and Dene or Inuit fine art dealers in southern Canada;
- Support for artists, artisans and businesses travelling to trade shows, meetings or conferences on arts and crafts; and
- Purchase of carving and quarrying machinery and equipment for arts and crafts production.

Individuals, businesses, guilds and organizations engaged in arts and crafts production or promotion are eligible for support.

Degree of support is based on need and the level of community benefit likely to result from supporting proposed projects.

Venture Capital Program

Purpose: To stimulate equity investment in, and enhance the business management skills of NWT businesses.

The program provides incentives for individuals, corporations or groups to form investment companies to purchase shares in NWT businesses. Contributions provide the equivalent of up to 30% of investors' initial investment in a Venture Capital Company, to a maximum of $150,000 per application.

Investments must be made in a Venture Capital Company prior to payment of contributions, and 100% of company funds must be invested in eligible recipient

businesses within one year. Company funds must remain invested in eligible businesses for a minimum of three years.

Limitations on funding are:

- Eligible businesses cannot be primarily financial in nature;
- Eligible businesses must be controlled by northerners through voting shares and shareholders' agreements;
- 50% of approved program funding is reserved exclusively for specified locations in the more remote areas of the Northwest Territories; and
- Venture Capital Companies must not have controlling interest in eligible businesses, or vice versa.

Trade Show Assistance Program

Purpose: To provide financial assistance to NWT businesses attending trade shows that will expand their market shares.

Contributions are granted to northern businesses attending territorial, national and international trade shows which, in the opinion of the Minister of Economic Development & Tourism, have the potential to enhance NWT exports or import replacement opportunities.

Contributions are limited to the lesser of 50% of total cost of attending the trade show or $3,000, and to one contribution per applicant per year.

Special Rural Development Agreement

Purpose: To improve economic opportunities and living conditions for NWT Inuit, Indians and Metis by improving their business and management skills through stable, long-term employment and/or increasing their earnings from renewable resources harvesting.

Special ARDA has four components for the provision of assistance:

- The **Commercial Undertakings** component provides financial assistance for the establishment, modernization, expansion or acquisition of businesses employing a majority of native people. All types of business are eligible, including manufacturing, processing, and tourism facilities and retail or wholesale operations.

- The **Primary Producing Activities** component provides financial assistance to improve the incomes of native individuals or organizations active in hunting, trapping and fishing.

- The **Special Adjustment Measures** component provides for counselling and training to aid native people in developing modern life skills and management expertise when federal and territorial funding is not otherwise available.

- The **Related Infrastructure** component provides funding in support of other Special ARDA projects. Funding may be provided for capital costs of such projects as construction of access roads, docks or additions to waste treatment plants.

Northern businesses, Hunters and Trappers Associations, band councils and development corporations may apply, provided that a majority of people engaged in the project are native.

Applicants must meet minimum equity requirements in the form of cash, capital assets or labour. Proposed projects must demonstrate economic viability.

Levels of assistance vary according to the type of project, with maximum funding depending on the number of jobs created and the type of assistance required. Specific funding guidelines are set for each of the four subprograms.

Inuit and Indian Community Human Resource Strategy

Purpose: To encourage and assist Indian and Inuit communities in developing and implementing long-term employment strategies which place residents in permanent jobs.

This federally-funded program is delivered jointly by the federal and territorial governments. The Department of Indian Affairs and Northern Development delivers the program in Indian communities; the Department of Economic Development delivers it in Inuit communities.

Individuals, bands, councils, community associations, and private and public sector employers may apply.

The program offers eight project options:

- **Human Resource Strategy Development and Management** provides funds for developing and implementing long-term employment strategies which match unemployed people with job opportunities on an ongoing basis. It includes training, affirmative action plans, and other services intended to improve Indian and Inuit access to the labour market.

- **Career Counselling and Labour Market Adjustment** provides individual career counselling related to the above employment strategies, and support in the form of tools, clothing, travel and accommodation compensation, etc. if such support is not available from Canada Manpower or other sources.

- **Employment Development** sponsors employment projects which increase goods and services available in communities while providing work experience and skill enhancement until long-term jobs become available. It also provides for student summer employment.

- **Employment Entry** provides wage subsidies and internship support as incentives for employers to hire Indian and Inuit workers.

- **Community Economic Enterprises** provides equity financing for Indian and Inuit businesses experiencing lower-than-normal rates of return on investment. Funds may be used to purchase capital goods, subsidize wages or provide operating capital if it creates new jobs maintains existing ones that would otherwise be lost.

- **Employability Training** provides on-the-job training in profit and non-profit projects, by subsidizing wages and other related costs.

- **Youth Entrepreneurship** provides funds for youth entrepreneurial training projects, recruiting appropriate Indian and Inuit youths (17-30), living allowances, wage subsidies for small business internships (i.e. students working in businesses), small capital contributions, and various support services for new businesses.

- **Business Training and Support Services** is for developing and delivering business training to existing and potential Indian and Inuit businesspeople, including living and travel allowances as well as ongoing support for people requiring specialized services.

Native development groups approve allocation of program funds.

Training projects should be directly related to identified ongoing job opportunities to which the trainees will be assigned or have a fair chance of securing through competition on completion of their training programs.

Projects must be completed by March 31 every year.

Short-Term Employment Program

Purpose: To create short-term employment and training-on-the-job opportunities for unemployed people by subsidizing wages.

Contributions are provided to eligible employers to offset the wage and limited capital costs entailed in hiring new employees/trainees. Non-profit organizations receive up to 100% of total wage costs; businesses receive a maximum of 50% of total wage costs.

Proposed projects must have community support and demonstrate adequate management capability. Project participants must have been unemployed prior to involvement in the projects.

Only municipalities, non-profit community groups and businesses may apply.

Projects must not last longer than four months and should contribute to the local economy.

Economic Development Organization Program

Purpose: To assist organizations whose objectives reinforce Economic Development & Tourism's objective to develop a healthy, expanding and diversified NWT economy.

Financial assistance is provided to organizations, like chambers of commerce, industrial associations, etc. which are in financial need and whose policies and programs benefit the NWT in amounts deemed appropriate by the Minister of Economic Development and Tourism. The Executive Council must approve financial assistance exceeding $50,000 per annum.

Economic development organizations other than development corporations and tourism organizations may apply.

Canadian Executive Service Organization

Purpose: To provide managerial, financial and technical counselling to businesses.

Retired business people from virtually every sector of the economy are recruited by the Federal Business Development Bank Counselling to provide advice, based on first-hand experience, to sole proprietorships, companies, cooperatives and non-profit organizations whose sales do not exceed $4 million annually.

Economic Development & Tourism will arrange for CESO advisors to visit eligible NWT businesses on request.

Appendix II

Tourism & Parks Division Programs

The Tourism and Parks Division promotes tourism development throughout the NWT by marketing the territories as a national and international travel destination; creating, expanding and upgrading tourism facilities; and maintaining and expanding the territorial parks system.

The Tourism Division might be better called the Travel Division since like its counterparts elsewhere in Canada it views tourists to be not only vacationers but anyone who travels within the NWT, stays and eats in local hotels, and purchases local products, etc., and thereby strengthens the NWT tourism industry.

Tourism and Parks has three sections:

- The **Product and Parks Development** section assists in generating new tourism products and services and enhancing existing ones by delivering programs which enhance NWT tourism facilities, attractions, events and manpower. It is also responsible for the operation and maintenance of existing parks and the creation of new parks and related infrastructure.

- The **Program Development** section is responsible for planning, policies, and program development as well as regulations and procedures affecting tourism and parks. It also monitors tourism and parks activities of other governments and private industry, responds to land claims issues associated with tourism and parks, and negotiates with the federal government in all matters concerning national parks in the Northwest Territories.

- The **TravelArctic**, the marketing section, conceives marketing and promotion campaigns to increase public awareness of the Northwest Territories as an attractive vacation area. It also provides information and travel counselling to people who inquire about visiting the Northwest Territories. TravelArctic produces print and television advertisements, attends trade shows, conducts public relations campaigns and familiarization tours for the travel trade, provides financial support to writers and photographers visiting the Northwest Territories, produces films and maintains a photographic library, conducts market research and evaluates marketing projects, and provides financial support and cooperation

to travel associations and businesses. In addition, TravelArctic produces brochures, maps, posters and other promotional items. Marketing activities are carried out on behalf of all Northwest Territories travel businesses and associations, and include the following:

- an **outdoors/adventure** program to increase awareness of NWT tourism products among naturalists and outdoor adventure enthusiasts;

- a **sport fishing and sport hunting** program to attract North American sport fishermen and hunters;

- a **distribution program** to disseminate NWT product information through a network of tourism retail outlets;

- **production of marketing aids** such as promotional brochures, guides, posters, maps and pins;

- a **travel trade** program to promote greater awareness of the NWT in domestic and international travel trade circles and to generate an image of the NWT as an attractive destination for world-class outdoor-adventure experiences.

- a **media relations** program to generate editorial coverage of the NWT's tourism assets and to nurture good contacts and relations with the press;

- a **public relations** program to increase and improve the private sector's understanding of NWT tourism marketing programs and opportunities; and

- a **research and evaluation** program which provides statistical and related analysis to support tourism marketing activities.

TravelArctic Tourism Marketing and Counselling

Purpose: To increase the number of visitors to the Northwest Territories through tourism marketing and travel counselling.

Following are the programs offered by the Tourism and Parks Division. The business assistance programs are restricted to northern businesses which are duly registered to carry on business in the NWT. In the case of corporations, 51% of share capital must be held by one or more persons who have lived continuously in the NWT for at least one year, and must maintain bona fide offices in the Northwest Territories. In the case of individuals, applicants must have been continuously resident in the Northwest Territories for one year.

Projects receiving contributions are expected to "contribute to the economy of the Northwest Territories by ensuring maximum participation of the residents of the Northwest Territories or by providing general services to the residents of the Northwest Territories".

Successful applicants are invariably required to sign letters or legal agreements with the GNWT stipulating the terms and conditions under which the assistance is offered and holding the recipients responsible for adhering to those conditions.

Tourism Industry Core Funding

Purpose: To subsidize the operation of the Northwest Territories Tourism Industry Association (TIA), which coordinates private sector tourism development and serves as a lobby for the industry.

The annual core funding provided by this program covers director and manager salaries, office rent and operating and maintenance expenses for TIA headquarters in Yellowknife and its six tourism zone offices.

Funds are divided among member zones according to a schedule prepared by the Tourism Industry Association's board of directors and according to need and merit, etc.

Tourism Planning and Program Development

Purpose: To provide direction, coordination and evaluation of tourism initiatives affecting growth of the NET tourism industry.

The TIA and its six zone offices, regional and tribal councils, communities and private sector interest groups may request technical and financial assistance under this program.

Services offered under the program include: regional, area and community tourism planning; industry and staff training; development of standards and criteria for the industry; enforcement of tourism regulations; identification of policy needs; assistance in the preparation of legislation; and liaison with government and industry.

Parks Planning and Program Development

Purpose: To provide direction, coordination and evaluation of initiatives affecting territorial and national parks.

The TIA and its six zone affiliates, regional and tribal councils, communities and private sector interest groups may request technical and financial assistance under this program.

Services offered under the program include: park systems planning; consultation in the management and establishment of national parks; preparation of responses to land claims issues; and intergovernmental and Tourism Industry Association liaison.

Product Development Contributions

Purpose: To provide contributions to tourism operators which make package tour products, services and facilities available to the travelling public.

Contributions are made for upgrading or expanding services and facilities offered by existing or prospective NWT businesses engaged in the operation of package tours. Preference is based on applicant need. Contributions are normally limited to $25,000 per recipient.

Tourism Facilities Development Contributions

Purpose: To stimulate business development and create new employment opportunities in the NWT tourism sector.

Contributions are made to new or existing tourist establishments and restaurants for the purchase, installation, renovation, improvement or expansion of premises or equipment.

Preference is based on need, number of facilities in a community, and other criteria set out in the Tourism Policy.

Contributions are normally limited to $25,000 per recipient.

Tourism Support Program

Purpose: To fund projects initiated by TIA and its six affiliates which will benefit the tourism industry at the zone, regional and community level.

Assistance is provided for TIA projects conceived and delivered by its staff or consultants TIA retains, such as:

- Projects to acquaint NWT high school students with career opportunities in the tourism industry.
- Employee-of-the-Month or Year awards to stimulate pride and quality of service among employees in the NWT tourism industry.
- Community tour packaging to coordinate tourism activities in individual communities.

- Multi-community package tours offered by established tour companies.

- Financial assistance to construct tourism-related public infrastructure which benefits small communities and enhances visitor enjoyment.

- Projects to encourage community councils to beautify and clean up their grounds and buildings.

- Tourism hospitality projects which promote effective hosting techniques.

- Projects which lead to themes, logos, messages and other techniques to attract visitors.

- "Visit-a-Northerner" campaigns to encourage NWT residents to meet visitors and familiarize them with northern culture and lifestyles.

- Heritage and crafts projects which contribute to conservation of northern culture and natural resources and strengthen the NWT arts and crafts industry.

- Visitor safety and satisfaction projects which promote visitor well-being and satisfaction.

- Financial assistance to communities staging events of sufficient interest, size and duration to attract tourists.

- Pre-trip orientation brochures to provide visitors with accurate information about NWT communities, lifestyles, heritage and aspirations.

- Highway and community information services to disseminate information to visitors about local attractions, events and services.

- Projects to encourage business travellers to increase the duration of their visits in NWT communities and their participation in tourism activities offered by host communities.

The program will reimburse up to 100% of eligible costs. Applications from the TIA and its zone affiliates are evaluated on the basis of their benefit to communities in which proposed projects are to take place and to the NWT tourism industry in general.

Tourism Hospitality Training

Purpose: To improve service aspects of the NWT tourism industry by providing hospitality training to the private sector.

Funding under this program is provided for territorial-wide needs assessments; training program development; regional, community and industry pilot projects and program delivery.

The Tourism Industry Association, its six zone affiliates and groups of tourism businesses may apply.

Funding is provided according to a needs assessment study recommended by the Tourism Training and Manpower Needs Board.

Where possible, training should be certifiable and delivered by Arctic College.

Appendix III

Economic Development Agreement Programs

The Economic Development Agreement (EDA) establishes a process by which the federal and territorial governments can coordinate their policies and programs affecting economic development in the north.

The current $39.8million, three-year EDA was signed in 1987 and will expire in 1991. Projects funded under the EDA are cost shared on a 70:70 federal:territorial basis. The EDA's principal GNWT representatives are the Departments of Economic Development & Tourism and Renewable Resources; the principal federal participants are the Departments of Indian and Northern Affairs and Regional Industrial Expansion.

Projects are funded according to criteria set out in six separate subsidiary agreements, five of which are intended to promote development in tourism, small business, minerals, renewable resources, arts and crafts and one of which, Applied Economic Planning, addresses the territorial economy as a whole.

As a general rule, EDA funding must not duplicate, overlap or conflict with programs available through other government agencies. They must not conflict with domestic use of resources. They must satisfy all relevant territorial, national and international regulatory requirements, and in the case of renewable resource projects, must comply with the harvest levels set by the appropriate government agencies.

Depending on the sector involved proposed projects must be consistent with or complement Tourism Canada, GNWT and TIA tourism development strategies; and where applicable, must be consistent with or complement territorial, federal, regional or community strategies, plans and guidelines respecting small business, renewable resources or arts and crafts development.

In keeping with its overall theme of economic diversification and import substitution, the EDA aims to:

- Assist NWT residents to identify and implement economic opportunities, particularly those which reduce imports and increase exports;

- Develop the commercial potential of renewable resources;
- Encourage growth, improved efficiency and greater local participation in the mining industry;

Enhance northerners' skill levels and general abilities to participate in the territorial wage economy.

Tourism Development Subsidiary Agreement

Purpose: To improve tourism products, markets, and NWT residents' awareness of the economic benefits of tourism through projects which adhere to the marketing strategies of Tourism Canada, the GNWT and the NWT Tourism Industry Association (TIA).

This subagreement funds projects under the following programs:

Marketing Incentive Contributions are given to the TIA and its zone associations for advertising, consumer shows, distribution network programs, marketing aids and media relations, and like projects which promote NWT tourism products, facilities, services and travel-generating special events. Contributions cover up to 100% of eligible costs.

Marketing Incentives are provided to NWT private sector tour operators, wholesalers and retailers for marketing NWT tourism products and services in high-potential target markets identified in the strategies of the GNWT and the TIA. Contributions cover up to 45% of eligible project costs, up to a maximum of $10,000 per applicant per year. Eligible project costs include trips to travel shows not attended by the TIA, familiarization tours, advertising, direct marketing and marketing aids.

Market Information Support is a program to collect and make public information of use to the public and private sectors in developing and evaluating its marketing programs. Funds are available on a one-only basis for surveys on accommodation occupancy, visitor habits and expenditures, market conversion, community attitudes to tourism and for collecting other tourism-related data approved by the NWT Marketing Committee. The TIA and its member zone

associations and consortia of government agencies and private businesses may apply. The program covers up to 100% of eligible project costs related to data collection, analysis and interpretation. Applicants must accept responsibility for updating any data collected.

Product and Facility Development provides funds to make the NWT tourism infrastructure competitive with comparable products offered elsewhere in the world. Contributions are available for feasibility studies and for establishing, modernizing, upgrading or expanding accommodations, foods services or other tourism facilities and services, special events with international draw, visitor reception centres and development of package tour themes. Northerners and northern businesses must contribute equity of at least 50% of the costs of their projects; the TIA, zone affiliates, regional councils and community associations must contribute at least10%.

Tourism Business Development provides financial incentives to help NWT northern businesses and community organizations establish, modernize, upgrade and expand tourism facilities. The program pays for up to 40% of eligible costs of establishing new businesses or 30% for the modernization, upgrading or expansion of existing businesses. Eligible costs include capital costs of building, machinery and equipment, site servicing and improvements. Land, inventory, overhead and salary costs are not eligible. Applicants must contribute equity of at least 20% of total approved project costs.

Tourism Related Public Infrastructure assists communities and other NWT tourism destinations to establish, modernize or upgrade the public tourism infrastructure which enhances their capability to receive and service tourists and to contribute to their development as a full-service tourism destinations. Eligible facilities and services include community visitor and information centres; signs and other interpretation materials; picnic sites primarily for the use of tourists; and for attractions and events with international draw. The TIA, zone affiliates, regional councils and community associations may apply. The program supplies up to 80% of eligible project costs, including capital costs of building, machinery and equipment, site servicing and improvements. Land, inventory, overhead and salary costs are not eligible. Applicants must contribute equity of at least 20% of total approved project costs.

Hospitality Awareness is to increase awareness of the economic and social benefits of tourism in the NWT. The program provides the TIA, zone affiliates, regional councils and community associations with up to 100% of costs involved in developing awareness programs and support materials, including approved consulting fees and expenses associated with identifying problems, opportunities and needs specific to individual communities, and production of brochures, etc.

Standards and Ratings provides funds for the TIA to develop an NWT-wide system of standards and ratings for tourism products and services. The program offers once-only contributions for 100% of the costs involved in developing the ratings system and 50% of implementing it. Applicants must accept responsibility for updating any data collected.

Small Business Development Subsidiary Agreement

Purpose: To stimulate the creation of new businesses in the NWT and the expansion and upgrading of existing ones, particularly those which reduce imports and increase exports.

This subagreement funds projects under the following programs:

Opportunity Identification provides financial incentives to encourage entrepreneurs to investigate new business opportunities which diversify NWT economic activity.

Assistance is provided for studies related to opportunity identification, establishment of new businesses and expansion or modernization of existing businesses. Individuals, businesses and community and regionally recognized economic development organizations are eligible for funding. Non-NWT residents and businesses are eligible to apply if they do so in conjunction with northern residents or businesses or if their proposed projects entail establishment of manufacturing or processing industries in the NWT. The program pays for up to 50% consulting fees and expenses involved in doing feasibility studies, provided they are reasonable in relation to the estimated capital costs of the proposed project. The results of studies are made public if their proponents do not apply them within one year of completion. Proponents must contribute equity of at least 50% of eligible study costs.

Small Business Development Incentives provides financial incentives to offset the limited availability of capital and the comparatively high cost of doing business in the north with a view to expanding and diversifying the NWT economic base and generating new jobs or maintaining existing ones. Financial assistance is given to potentially viable retail, manufacturing and processing businesses to establish, expand, upgrade or modernize facilities. Individuals, businesses, and community and regional economic development organizations are eligible for funding. Non-NWT residents and businesses are eligible to apply if they do so through joint ventures with northern residents or businesses or if their proposed projects entail establishment of manufacturing or processing industries in the NWT. Contributions to new businesses are limited to up to 40% of total eligible project costs to a maximum of $200,000. Contributions for expansion, upgrading or modernization of existing businesses are limited to up to 30% of total eligible project costs to a maximum of $100,000. Proposed renovations must be to increase productivity, efficiency and profitability. Eligible project costs include capital costs, such as total cost of buildings, machinery and equipment, site servicing and improvements. Land, inventory, overhead and salary costs are not eligible. Applicants must contribute equity of at least 20% of total approved project costs. Applications are evaluated on the basis of risk, other sources of financing, return on investment and other related ratios and management capability.

The **Business Service Centres Program** was intended to encourage establishment of three "incubator malls", i.e. business service centres which provide new businesses with managerial assistance, pooled technical resources and common secretarial and other support services. New businesses would have been allowed to lease offices in the centres for three-five years, after which time they would have to make room in the centre for other new businesses. As originally planned, the program was publicized for six months, but there were no applications and funds for this program were reallocated to the Small Business Development Incentives program.

Mineral Development Subsidiary Agreement

Purpose: To assist and encourage mineral exploration; investigation and development of innovative, technological measures which improve mining and

mineral processing operations; and to promote greater understanding of the economic importance of the mining industry among residents of the NWT.

This subagreement funds projects under the following programs:

Geoscience is to assist and encourage mineral exploration in the NWT with priority on geological belts that are most likely to lead to the discovery of mineral deposits with greatest potential for development. Exploration projects are carried in consultation with the mining industry by geologists contracted under the EDA; industry itself is not eligible for funding.

Northern Technology Assistance assists the NWT mining industry to develop innovative technologies that improve their mining and processing operations by subsidizing the cost of technological studies and demonstration projects. Individuals, mining companies and industry organizations may apply. Contributions cover up to 75% of the eligible project costs to a maximum of $150,000. Eligible costs are determined on a project-by-project basis by the Management Group of the Mineral Development Subsidiary Agreement. Preference is given to applications in which industry bears the larger share of project costs and to those which demonstrate the greatest potential benefit for the NWT mineral industry.

Northern Mining Information is to promote greater awareness of the economic importance of the mining industry in the NWT and to encourage northerners to take greater advantage of business and employment opportunities offered by the mining industry. Mining companies, industry organizations, interest groups and government agencies are eligible to apply. Preference is given to proposals which in the opinion of the Management Group promote greater understanding of the NWT mining industry and the economic opportunities it provides, and which most benefit the industry.

Renewable Resources Subsidiary Agreement

Purpose: To strengthen the traditional economy, forge stronger links between the traditional and wage economies and promote greater community self-sufficiency, through responsible commercial renewable resource development which reduces imports and increases exports.

This subagreement funds projects under the following programs:

Renewable Resource Business Development provides once-only contributions for the establishment, expansion or modernization of businesses involved in harvesting, ranching, processing or marketing of wildlife, fish, agricultural or forestry products. Eligible project costs include capital costs of buildings, machinery and equipment, site servicing and improvements, etc. as well as overhead and salary costs for the first three months. Northerners , northern businesses and community organizations may apply.

Product Development and Test Marketing is for research and resource assessment work leading to viable new commercial renewable resource enterprises and to improve existing businesses. Northerners, northern businesses, community organizations, and federal and territorial government agencies may apply. Where applicable, proposals must meet current resource inventory and biological assessment standards. Contributions cover:

- Up to 90% of the costs of developing products and establishing markets; capital costs are not normally eligible.
- Up to 90% of the costs involved in pilot projects to confirm the economic potential of opportunities identified by feasibility studies, to a maximum of $250,000.
- Up to 90% of eligible costs for resource inventory and assessment studies which support commercial renewable resource operations, particularly when lack of reliable information about the availability of a resource would delay commercial harvest, to a maximum of $250,000. Eligible costs include data collection, analysis and interpretation. Capital costs are not covered.
- Up to 90% of the costs of studies to determine the economic, biological, technical and logistical viability of potential businesses, including consulting services required for data collection and feasibility studies. Capital costs are not covered.

Arts and Crafts Subsidiary Agreement

Purpose: Strengthen the arts and crafts industry by fostering excellence in production, making marketing systems more efficient, reducing raw material costs and increasing arts and crafts sales.

This subagreement funds projects under the following programs:

Materials Supply assists in the establishment of arts and crafts raw materials distribution centres to lower producer costs for carving materials, textiles, fur, hides, graphic and like materials. Any association, community, company or individual with experience in arts and crafts production, and no reasonable access to raw materials, may apply, as may communities with access to raw materials (e.g. soapstone) which they are prepared to collect or distribute. Contributions are normally limited to a maximum of $25,000 per community; projects exceeding $25,000 are evaluated on a project-by-project basis.

Product Development assists in the development of new arts and crafts or improvements in existing ones by funding full prototypes and, if warranted, to produce sufficient product for test marketing. Individuals, associations, businesses, and community or economic development organizations with experience in arts and crafts may apply. Contribution amounts are determined on a project-by-project basis. Capital costs are not eligible.

Dealer Support assists commercial galleries (primarily in North America) in their efforts to promote and sell NWT arts and crafts. Contributions cover up to 70% of gallery costs for promotional materials and media advertising up to a maximum of $5,000 per dealer per year; and up to 100% of travel costs for artists and artisans attending gallery exhibitions.

Arts and Crafts Marketing assists individuals, businesses and community economic development organizations with experience in arts and crafts in doing test marketing, and developing logos, labeling, packaging, catalogues, posters, brochures, and advertising for NWT products. Contribution amounts are determined on a project-by-project basis.

Marketing Strategies helps arts and crafts and economic development organizations to develop and implement advertising strategies. Contributions cover consulting fees and expenses for research, evaluation and preparation of two-year strategies and the costs of implementation. Contribution amounts are determined on a project-by-project basis.

Management Improvement assists arts and crafts associations and businesses and economic development organizations to develop training aids and to train local people in arts and crafts business management. Contributions cover fees and expenses of consultants or educational institutions to do research and analysis and prepare training aids; provide on-site instruction; and pay the expenses incurred by trainees visiting appropriate southern Canadian wholesale and retail marketing agencies. Priority is given to training of existing employees and to on-the-job training.

Artist and Artisan Development counsels carvers, printmakers, seamstresses, and other artists and artisans with the technical and aesthetic aspects of their work. Individuals, businesses and economic development organizations engaged in arts and crafts production in the NWT may apply for assistance in hiring artistic and technical advisors. Priority is given to applicants in most financial need. Funds are available to cover the costs of certain artistic workshops in northern and southern Canada.

Applied Economic Planning Subsidiary Agreement

Purpose: To respond to certain constraints on economic development which are common to northern communities such as remoteness, small populations, and lack of access to the expertise and information necessary to identify economically viable opportunities.

This subagreement funds projects under the following programs:

Community Planning and Project Implementation provides funds to assist communities, regional bodies and major economic interest groups, such as native development corporations, chambers of commerce and other like groups with regional or sectoral orientation in hiring economic development facilitators who will facilitate the implementation of previously-identified opportunities.

Eligible costs are limited to salary, benefits, housing allowances, and interview and relocation costs of the facilitators. Proposed projects must show strong potential for yielding long-term income and employment development, and must be on a scale which is manageable in small communities.

Economic Development Planners provides funds to assist the same groups as above to hire planners where they have not previously received assistance for preparing community, regional or sectoral plans. Priority is given to applications sponsored and coordinated by regional bodies or several communities acting together. Project selection is affected by availability of program funds. Proposed projects must focus on areas with strong long-term economic development potential.

Economic Information Systems is to allow federal and territorial governments to collect information they both feel is needed for future economic planning. Funds are available to collect, analyze and centralize economic statistics available from various territorial and federal sources with a view to establishing a standard, mutually-agreeable economic data base and a system for regular updating. Priority has been given to information on community employment and income; family allowance data, 1986 census outputs, and comprehensive statistics on government expenditures in the north.

Economic Planning Studies provides funds for both governments to hire qualified consultants to undertake feasibility or marketing studies for new business development opportunities which diversify northern economic activity, improve the governments' capacity to do economic planning, or enhance prospects for economic development in the NWT. Contribution amounts are determined on a project-by project basis. Eligible costs are consultant fees and expenses. Examples of the types of projects to be funded are:

- Feasibility of potentially viable export promotion and import substitution opportunities;

- Research on past economic development feasibility studies to determine if any of the studies which proved unfeasible before might now be feasible as a result of changes in economic and technological conditions; and

- An examination of economic development projects, programs and policies which have proved successful in other jurisdictions similar to the NWT and which therefore might have application here.

ISBN 0-7708-5816-3

© Northwest Territories
Culture & Communications